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INCENTIVE PLANS AS CIVILIAN EMPLOYEE MOTIVATIONAL DEVICES IN THE DEPARTMENT OF THE NAVY

James McDavid Caro

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INCENTIVE PLANS AS CIVILIAN EMPLOYEE MOTIVATIONAL DEVICES IN THE DEPARTMENT OF THE NAVY

BY

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CHAPTER I

INTRODUCTION

All aspects of Department of Defense (DOD) operations, involvements, and interests are being intensely and closely scrutinized today. Members of the Congress, in their roles as representatives of their constituency and as members of committees and subcommittees, seem to be experiencing increasing pressure by constituents and special interest groups to divert government funds from defense-related projects to those programs which are considered to be more people-oriented or humanitarian.[1]

Defense has been, is, and, in all likelihood, will continue to be very big business in the United States. While the Congress and a significant percentage of the nation's citizenry may be greatly concerned with the task of cutting back the level of Department of Defense expenditures, the very real and tremendously complex problem is that of determining specifically where in the DOD budget the cuts can be realistically made and then deciding upon the amounts of those cuts.

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[1]Mrs. Nancy Summers, staff member of U.S. Senator Robert P. Griffin of Michigan and Mrs. Charles Earnhart, staff member of U.S. Representative Clarence J. Brown, Jr., of the Seventh Ohio District, private interviews held during April, 1971.

The nation's annual budgets--proposed by the President and approved by the Congress--for fiscal years 1967-1972, have allocated between fifty-nine and sixty-two percent of the DOD (Military) budget dollars to the direct and overhead costs of defense operations, including the costs of military personnel, operations, and maintenance. The smaller, remaining portion of the DOD military budget expenditures is for military procurement, research and development and construction.[1]

Recognizing that more than half of the DOD military budget dollars has been consumed by the day-to-day operations of the Defense Department, the President and the members of the Congress have repeatedly ordered or demanded that the leaders within the Department make a concentrated effort to improve the level of management throughout the DOD.[2] The DOD managers have responded to such directions by implementing such management techniques as operations research, cost-benefit analysis, decision theory, and Planning, Programming and Budgeting Systems (PPBS).[3] The ultimate goal is to improve

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[1]Executive Office of the President, Office of Management and Budget, The U.S. Budget in Brief, Fiscal Year 1972, p. 62.

[2]Fremont J. Lyden and Ernest G. Miller, eds., Planning Programming Budgeting: A Systems Approach to Management (Chicago, Illinois: Markham Publishing Company, 1969), pp. 5 and 11.

[3]Charles J. Hitch and Roland N. McKean, The Economics of Defense in the Nuclear Age (New York: The Harvard University Press, 1960) and Charles J. Hitch, Decision-Making for Defense (Los Angeles, California: University of California Press, 1966).

the efficiency and effectiveness of all phases of defense operations while reducing costs. The Congress has given great emphasis to these demands by appropriating fewer defense dollars each year. This places the problem of living within the reduced budgets upon the managers of the various segments of the Department.

The top managers within the DOD are thus in the position of receiving steadily-reduced resources for operational purposes, with concomitant exhortations from the country's leaders to immediately and drastically improve the overall level of management. They must decide how and where the Department's scarce resources can be used for the optimum benefit to the country. Already the nation has witnessed a series of base closings involving personnel layoffs within the DOD which have set records by their magnitude. In 1965, for example, 126 bases and components were closed. These activities and functional components either failed to relate adequately to the overall national priorities, or, because they were less than effectively managed, their continued existence could not be justified.[1]

It has been a long-recognized fact of life within the DOD that competition among the several branches of the armed services for budget dollars is extremely keen. With steady

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[1]Colonel G. L. J. Dalferes, U.S. Army, Deputy Director (Installations), Office of Legislative Liaison, Department of Defense, telephone inquiry made on April 19, 1971.

contraction of DOD funds facing them, each service will be concerned with developing a reputation for efficiency and effectiveness of operations and management to the extent that the remaining sister services will pale in comparison. Such a reputation is not easily earned and depends upon the conscientious efforts of all personnel in all segments of the organization. The service having the poorest quality of management, or any organizational segment within a particular service with such a problem, will not compete well with the other services or organizational segments for the limited resources available. Actual survival may become a prime motivator for improved management within the DOD.

The latest concentration of interest upon better management of DOD operations has caused the organization's top managers to examine the various means at their disposal for yielding the maximum output, given a reduced level of resource input. One of the most innovative and dramatic steps which has been taken in this direction was made by President Nixon and Secretary of Defense Laird in 1969 when they appointed a Blue Ribbon Defense Panel and assigned it the task of studying the entire organization, structure, and operation of the Department of Defense with a view toward improving these areas of the Department.[1]

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[1]Gilbert W. Fitzhugh, Chairman, Blue Ribbon Defense Panel, Report to the President and the Secretary of Defense on the Department of Defense (Washington, D.C.: U.S. Government Printing Office, July 1, 1970).

Specifically, Defense Department managers may have to consider just how they can expect to realize at least the same, if not a higher, level of operational effectiveness given only slightly reduced work loads but far more greatly reduced personnel allowances. The next logical step by management, then, would be to determine how these fewer numbers of employees can be motivated to meet the management goals of producing to their maximum capacity, actively seeking ways of reducing costs, doing each task correctly the first time, and continually seeking new, better methods for doing their jobs.

Employee motivation often is, due to its very nature, necessarily directly associated with incentive of some sort. It would seem logical, then, that DOD managers must concentrate at least part of their attention upon DOD employees' needs and upon the types of incentives which will most effectively motivate these employees toward achieving the above goals.

During the past thirty years, behavioral scientists have contributed new approaches to the science of management by identifying the various types of individual needs and by developing theories of motivation relating to these needs. Thus it has been generally accepted over the years that, as a result, modern managers can better understand their employees and consequently can provide the necessary incentives in varying situations to make possible a more effective achievement of management and organizational goals which must be met through the actions of the employees.

The nation's industrial community has experimented with a number of types of incentive plans and programs aimed at motivating employees toward the goals mentioned earlier. Very few of these plans, however, have been implemented within the Department of Defense even though the organization, like those in industry, is production- or mission-oriented.

Should DOD managers study the possibilities of implementing, within the DOD, incentive plans similar to those which have proved to be successful employee motivators in industry? John D. Roth, Director of the Office of Incentive Systems, U.S. Civil Service Commission, thinks that the Defense Department might well give greater emphasis to this idea than it has.[1] Frank Churney, Director of the Office of Motivation and Incentive, Department of the Navy, agrees with this view point.[2] He has noted, however, that within the Navy Department, there is a relatively large number of managers who apparently believe that there is entirely too much disparity between defense and industrial organizations to permit the successful application of industrial incentive plans to the non-profit-oriented environment of the Navy Department or the DOD.

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[1]John D. Roth, private interview held in March 1971.

[2]Frank Churney, private interview held in March 1971.

Objectives of the Study

It is the purpose of this paper to examine various theories and concepts regarding employee motivation, to compare and review various incentive plans used in industry to motivate employees toward the achievement of specific goals, and then to answer the primary research question:

Can incentive plans such as those which are used in a profit-oriented, industrial environment be effectively used as employee motivational devices in a production-conscious, non-profit-oriented organization such as the Department of the Navy?

In the process of developing an answer to this basic question, the following subsidiary questions will also be considered:

1. What are some of the most generally accepted theories and concepts concerning employee motivation in a production-oriented environment?

2. What incentive plans have been successfully used in profit-oriented, industrial organizations and what are the motivational theories upon which these plans are based?

3. Which incentive plans, if any, that have been successfully used in profit-oriented organizations might be successfully applied as employee motivational tools in the Department of the Navy and what are the bases of motivation upon which such plans provide incentives to Navy civilian employees?

4. What incentive plans have been instituted within the Department of the Navy and what has been their apparent success as employee motivators?

5. How might the Department of the Navy improve its use of incentive plans to the extent that its civilian employees would be more highly motivated toward the management goals of providing maximum effort, effectiveness and efficiency; reduced operating costs; greater production accuracy; and continual job improvement?

Scope and Limitations of the Study

The subject areas of incentive plans and of motivation are extremely broad and complex. No attempt will be made in this study to make a comprehensive evaluation of either subject area. Rather, the paper will be confined to a discussion of only the most widely-accepted approaches to motivation and to those incentive plans which seem to be most commonly and successfully used in industry today. Discussion of incentive plans is limited to those plans which are designed to motivate nonsupervisory employees who are involved in fairly routine line functions. No attempt is made in the study to examine incentive plans which relate to either management or to sales functions.

Notwithstanding the fact that this study could easily and equally apply to practically any department or agency within the United States Federal Government, discussions will

be focused primarily upon the Department of the Navy, in which the author has had the advantage of thirteen years of experience--including experience as a line manager in field activities, managing both civilian and military personnel. The study is confined to the Department of the Navy rather than, for example, the Department of Defense, in order to both restrict the scope of the study and to permit the making of certain comparisons between the Navy Department and other branches of the Armed Services.

Research for this paper consisted primarily of library research supported by copies of instructions, reports, and articles obtained from the Office of Incentive Systems, U.S. Civil Service Commission; the Office of Motivation and Incentives, Department of the Navy; and by information provided by the directors of these offices during interviews. Additional information was provided by the corporate offices of the Maytag Company, General Motors, General Electric, and the International Business Machines Company, in response to queries by the author.

Order and Nature of the Presentation

The organization of this paper is intended to lead in logical order to a conclusion regarding the applicability of industrial-type incentive plans to the Navy Department.

Chapter II provides a foundation for the remainder of the study. Motivation of individuals is defined and the

significance of motivation in relation to employees in a work environment is discussed. An underlying factor, necessary to an understanding of motivation, and basic to this chapter itself, is a repeated reference to and discussion of the various types of individual needs to which motivation is related. The more significant approaches to motivation and the management writers or behavioral scientists most closely associated with those concepts are discussed.

Chapter III concentrates attention upon the relationship of motivation to incentives, or more specifically, to financial incentive plans. Incentive plans, including those popularized by Frederick Taylor and those which are successfully used in industry today and which are designed around prevailing theories of individual motivation are discussed. The merits and uses of financial incentive plans are discussed.

Chapter IV describes and discusses suggestion systems. This type of employee incentive plan combines nonfinancial and financial rewards. The chapter explains the concept of suggestions systems as an employee motivation device and as a benefactor to the sponsoring company, and further relates the types of rewards provided by the plan to the employee needs which were discussed in Chapter III.

Chapter V attempts to relate the non-profit-oriented environment of the Navy Department to the needs of Navy civilian employees, to the concepts of motivation discussed

in Chapter II which are most likely to be applicable to Navy civilian employees, and to the incentive plans discussed in Chapters III and IV. Then follows an identification and discussion of the types of incentive plans which are currently used within the Department of the Navy and how relatively successful they are as compared to similar types of incentive plans used by other government departments and agencies and by large industrial companies. Finally, this chapter discusses apparent weaknesses in both design and use of Navy Department incentive plans.

A summary of the study is contained in Chapter VI, along with conclusions relating to the primary research question. Also, recommendations are made for possible improvement of the design and use of incentive plans as management tools for motivating desired employee response toward stated goals of the Department of the Navy.

CHAPTER II

CONCEPTS OF MOTIVATION

Introduction

Many articles and books have been written about motivation and the various approaches to motivation. It has been said that every manager, in order to be successful, must understand the concept of motivation as it applies to his employees.[1] The observation has also been made that some managers today operate as though they believe that motivational theory, being a product of the "happiness school" of management thought, must necessarily be viewed with a great deal of honest skepticism.[2]

Exactly what is motivation? The dictionary provides a very simple definition: "that which motivates; inducement; incentive."[3] This same source is a bit more descriptive of the term "motive": "something that prompts a person to act

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[1]William G. Scott, Human Relations in Management: A Behavioral Science Approach (Homewood, Ill.: Richard D. Irwin, 1962), p. 83.

[2]Dale Yoder, Personnel Management and Industrial Relations (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1970), p. 76.

[3]The Random House Dictionary of the English Language, Jess Stein, ed., Unabridged Edition, 1967, p. 934.

in a certain way or that determines volition; incentive." It would seem obvious that it is difficult to discuss motives or motivation without considering incentives as well. In defining that term, William Scott expands the dictionary definition as follows:

> An incentive is a stimulus which incites action. In its broad usage, "incentive" is applicable to any inducement, material or nonmaterial, which impels, encourages, or forces a person to perform a task to accomplish a goal. A psychological reaction is the primary effect of an incentive. Its secondary effect is behavior.[1]

Those managers who would downgrade the findings of behavioral scientists and management writers who have studied individual motivation at great length, would perhaps do well to consider what the late Douglas McGregor had to say on the subject of management responsibility in relation to motivation:

> A statement of strategy that has long seemed to me to be consistent with the goals of economic enterprise on the one hand, and with behavioral science knowledge of the motivational nature of man on the other, is this: Management must seek to create conditions (an organizational environment) such that members of the organization at all levels can best achieve their own goals by directing their efforts toward the goals of the organization.[2]

If it can be agreed that a manager's task is to provide an organizational environment as described by McGregor,

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[1]Scott, Human Relations in Management, p. 249.

[2]Douglas McGregor, The Professional Manager, ed. by Caroline McGregor and Warren G. Bennis (New York: McGraw-Hill Book Company, 1967), p. 11.

then it would be reasonable to look a little deeper into exactly what constitutes a motive, or an incentive, from the viewpoint of the one who is to be motivated--the employee. Scott views individual motivation as a state of tension and believes that motivation represents an unsatisfied need, which creates a condition of tension or disequilibrium. This causes the individual to move in a goal-directed pattern toward restoring a state of equilibrium by satisfying the need. Furthermore, managers should be aware that the degree of tension, and therefore the strength of motivation, varies. Scott maintains that the strength of an individual's motivation to perform some act is a function of:

> 1. The strength of the motive, which is the position of a motive in the individual's hierarchy of motives, representing a level of urgency for fulfillment.
> 2. Expectancy, which is the probability that the act will obtain the goal.
> 3. The value of the incentive, which is the rewards hoped for by obtaining the goal. The greater the rewards, the greater will be the motivational strength, providing the other two factors remain equal.[1]

There are others who, like Scott, link the motivational power of incentives to individual needs. Perhaps the best known and most respected author in this regard is Dr. Abraham Maslow, who has pointed out that man's needs are ranked in a hierarchy.[2] He lists these needs in ascending order as follows:

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[1]Scott, Human Relations in Management, p. 83.

[2]Abraham H. Maslow, Motivation and Personality (New York: Harper and Brothers, 1954), pp. 80-98.

1. Physiological needs, which are those needs basic to the sustenance of human life itself. Examples of such needs are food, clothing, and shelter.

2. Security needs, which are those required for self-preservation--to be free of the fear of physical danger and deprivation of the basic physiological needs.

3. Affiliation needs, which are those associated with the social nature of man--his needs to belong and to be accepted.

4. Esteem needs, which are those needs required to produce feelings of self-confidence, prestige, power, and control. This category refers to man's needs for self-esteem and for recognition from others.

5. Self-actualization needs, which is the need to maximize one's potential, whatever it may be, or simply the desire to become what one is capable of becoming.

Maslow postulates that an individual moves from one need level to the next as he satisfies the previous needs. There is normally an overlap of needs; that is, a man begins to seek satisfaction of the next higher need while still trying to satisfy his present level of need.

Recognizing that all individuals have or develop needs for which they are motivated to seek fulfillment, the perceptive manager will attempt to identify not only his employees' needs, but also the types of incentives which will relate to and help bring about fulfillment of those needs.

There certainly does not appear to be anything particularly complicated in this rather straightforward presumption. But the problem of employee motivation is, unfortunately, not so simple.

Some authors discuss the differing assumptions about the nature of man relating to that which motivates him.[1] Other behavioral scientists refer to employee motive patterns.[2] And most authorities in the behavioral science discipline seem to recognize the fact that there are many differing approaches to motivation. The following sections will present a synthesis of opinions of some of the better known authors regarding motivation of individuals.

Generally Accepted Approaches to Motivational Theory

Background

The whole idea of employee motivation, a relatively new concept in management thought, began in the early 1930's with the studies of Elton Mayo and Fritz Roethlisberger.[3] As late as the first decade of this century, the terms "motivation" and "incentive" were not included in the

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[1]Edgar H. Schein, Organizational Psychology (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1965), pp. 47-48.

[2]D. Katz and R. L. Kahn, The Social Psychology of Organizations (New York: John Wiley & Sons, Inc., 1966).

[3]Schein, Organizational Psychology, p. 51.

vocabulary of even the more qualified managers. Workers were expected to work at their highest level of potential for long, hard hours. Their motivation was not described by a clinical term developed by some psychologist. Rather, it was simply the wage they received in return for their work. It might even be said that the uncomplicated fact that they had a job was their motivation.

In the 1920's Frederick W. Taylor, often called the "Father of Scientific Management," introduced management principles and wage incentive plans designed to both assist and encourage workers to produce at their maximum potential. He emphasized work methods improvement and also economic rewards for better than average work performance.[1] Taylor's works and writings indicated his belief that workers were more than simply human machines.

In the 1930's, as a result of a five-year study conducted at the Western Electric Company's Hawthorne, Illinois, plant, Elton Mayo and Fritz Roethlisberger discovered that workers were motivated by far more than money alone. Workers, they found, responded to their total work situation, and attitudes and social relations constituted an important part of this total.[2]

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[1]Frederick W. Taylor, Principles of Scientific Management (New York: Harper & Brothers, 1911).

[2]Schein, Organizational Psychology, p. 51.

The concept of worker motivation has come a long way since the Hawthorne studies. Psychologists' studies have focused upon: individuals' needs; the work environment; economic rewards of various types; employees' relationships to both the formal and th. informal organizations; and the list goes on. There is no single theory, or for that matter even a best theory, of employee motivation.[1] There are different approaches which have been given many names. The following discussion categorizes the theories of various authors in four approaches to motivation. These approaches consider motivation in relation to four natures of man: the rational-economic man, the social man, the self-actualizing man, and finally, the complex man.

The Rational-Economic Man Approach

This approach to worker motivation presumes that man is primarily motivated by money, or economic rewards, in order that he might be able to fulfill his lower level (physiological and safety) needs. It is thus reasoned that management can enduce employees to work toward organizational goals provided that adequate economic rewards are given.

There are several assumptions which Schein makes about the nature of man in this approach.[2] The first assumption, that man at work is primarily motivated by economic incentives,

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[1]Saul M. Gellerman, Motivation and Productivity (American Management Association: Vail-Ballow Press, Inc., 1963), p. 175.

[2]Schein, Organizational Psychology, p. 48.

has been mentioned. It is further assumed that since economic incentives are under the control of the organization, man in the work place is therefore essentially a passive agent to be manipulated, motivated, and controlled by the organization. The third assumption is that man's feelings are essentially irrational and must be prevented from interfering with his rational calculation of self-interest. The last assumption is that organizations can and must be designed in such a way as to neutralize and control man's feelings and therefore his unpredictable traits.

Implied in these assumptions are managers' beliefs or ideas regarding the nature of the typical employee, upon which some of their decisions and strategies are based. These ideas, which McGregor labeled "Theory X," are:

> 1. The average human being has an inherent dislike of work and will avoid it if he can.
> 2. Because of this human characteristic of dislike of work, most people must be coerced, controlled, directed, threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
> 3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all.[1]

In The Social Psychology of Organizations, David Katz and Robert Kahn discuss four basic motive patterns that cause workers to behave as management would desire, i.e., to join and to remain in the organization, to perform dependably in

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[1] Douglas McGregor, The Human Side of Enterprise (New York: McGraw-Hill Book Company, 1960), pp. 33-34.

the organization, and to engage in innovative and cooperative behavior. One of these motive patterns, called "Instrumental Satisfaction," relates to the rational-economic man.

"Instrumental Satisfaction" is evoked by the use of rewards and is more strongly evoked when the rewards are immediate, constant and adequate. The behavior patterns produced by reliance upon rewards vary and depend heavily upon whether rewards are systemwide, or are tied more specifically to performance. According to Katz and Kahn, system rewards, such as benefits and good working conditions, may hold people in the system but do not necessarily encourage more acceptable behavior. They tend to be rather ineffective in stimulating innovative behavior. On the other hand, individual rewards, such as pay for performance, used in a proper manner, can lead to high motivation.

Gellerman observes that a sensible theory of money motivation must somehow reconcile the facts that for some people money is everything all the time; that for others money is everything some of the time, but not all the time; and that for still others, money means very little at any time.[1] Thus, he concludes, the theory must reconcile the facts that money can be a motivator in its own right, or be a vehicle for other motivators; and that dissatisfaction with money rewards can be a straightforward matter of low purchasing power or a mask for less tangible frustrations.

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[1]Gellerman, Motivation and Productivity, p. 160.

Money is only a symbol, meaning whatever people want it to mean, and therefore reflects the ambiguously logical and emotional nature of man. It is only when money becomes a credible vehicle for achieving security, station, and other intangible goals that it can begin to symbolize them. It is only when money symbolizes these goals that it begins to acquire significant motivating power.[1]

Having said that, Gellerman concludes:

> Workers simply do not sell their labor without reference to the future or to non-financial consequences. Here, in a nutshell, is why incentive payment plans for production workers have had such a lackluster record of success.[2]

In view of the assumptions of the rational-economic approach to worker motivation, managers faced with low morale or low production could take three remedial types of action: (1) improve overall effectiveness by redesigning jobs and organizational relationships; (2) re-examine its incentive plans, the system by which it tries to motivate and reward performance; and (3) re-examine its control structure to determine if supervisors are putting enough pressure on the men to produce, or if the system is adequate for identifying and for punishing slackards on the job.[3] Such actions have been characteristic of many managers since Taylor explained his four principles for scientific management in Principles of

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[1] Ibid., pp. 161-162.

[2] Ibid., p. 68.

[3] Schein, Organizational Psychology, p. 49.

Scientific Management, which became the manager's "bible" to many businessmen.

William Whyte disagrees with this management philosophy as it relates to employee motivation.[1] He suggests that management controls such as motion study, quality control, and incentive systems are based upon erroneous assumptions by management. In listing these erroneous assumptions, Whyte provides a summary picture of the rational-economic man:

1. Man is a rational animal striving to maximize his economic gains. It follows, then, that the employee ought to be paid according to how much he produces.

2. Man is an isolated individual when it comes to computing his salary. He is not affected by work group norms and pressures.

3. Man, like a machine, can be treated in a standardized fashion. While individual differences are recognized, it is assumed that there is "one best way" to do the job so that variations in method of work can and should be eliminated.

4. Man, like machines, needs to be stimulated by management to work. Machines are stimulated by electricity; man by money.

Schein, however, claims that money and individual incentives have proven to be successful motivators of human effort in many kinds of organizations.[2]

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[1]William F. Whyte, Money and Motivation (New York: Harper & Row, 1955), pp. 2-3.

[2]Schein, Organizational Psychology, p. 50.

It is appropriate to include in this section at least a brief mention of an extension of the economic rewards which management has offered to employees. These rewards were originally developed as employee welfare programs, where management attempted to satisfy "the whole employee" by offering wage incentive plans, fringe benefits of various kinds, good working conditions, and good supervision. There were several reasons for extending the breadth of worker rewards. First, managers began to see workers as people who deserved to be given more humane consideration than inanimate machines. Secondly, it was believed that satisfied workers would work the hardest, produce the most, be the most loyal, and cooperate the best. Finally, trade unions were beginning to make a decided impact in the business world and were demanding greater rewards for and better treatment of their members.[1]

The above types of rewards were considered worker motivators in the early quarter of this century--and are so considered by some managers today. However, Frederick Herzberg calls these "hygiene" factors, or merely "satisfiers," and not motivators.[2] More will be said about Herzberg's theory in the section on The Self-Actualizing Man Approach.

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[1]Leonard R. Sayles and George Strauss, Human Behavior in Organizations (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1965), p. 141.

[2]Frederick Herzberg, "One More Time: How Do You Motivate Employees?," Harvard Business Review, January-February, 1968, pp. 55-62.

The Social Man Approach

The Hawthorne studies, completed in the 1930's, dramatically drew attention to the fact that in determining work patterns, the need to be accepted and liked by one's fellow workers is at least as important as the economic incentives offered by management. This startling revelation in worker attitudes ushered in an entirely new concept in worker motivation.

Elton Mayo is a pioneer in the field of the social needs of workers. In his book The Social Problems of an Industrial Civilization,[1] Mayo enumerated a set of assumptions regarding these social needs of man which affect the intensity of his motivation. Mayo said that:

1. Man is basically motivated by social needs and obtains his basic sense of identify through relationships with others.

2. As a result of the industrial revolution and the rationalization of work, meaning has gone out of work itself and must therefore be sought in the social relationships on the job.

3. Man is more responsive to the social forces of the peer group than to the incentives and controls of management.

4. Man is responsive to management to the extent that a supervisor can meet a subordinate's social needs and his needs for acceptance.

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[1]Elton Mayo, The Social Problems of an Industrial Civilization (Boston, Mass.: Harvard University Graduate School of Business, 1945), pp. 36-37.

These assumptions would seem to be valid in the light of findings by Zalesnik, Christensen and Roethlisberger.[1] They observed the following worker behavior during their studies:

1. Worker productivity and job satisfaction were related to their membership in the work group and not to the pay and job status which the individual received.

2. Those workers who were regular members of a work group seemed to be satisfied and tended to conform to group norms of productivity and to management's expectations.

3. Workers who isolated themselves from a work group tended to be less satisfied and to violate group norms.

4. Deviates and isolates who aspired to group membership and who identified with the group tended to produce below the group's norms.

5. Deviates and isolates who did not aspire to group membership tended to produce above the group's norms.

According to Roethlisberger, a worker is not an isolated, atomic individual, but rather is a member of a group or of several groups.[2] Within each of these groups the individuals have feelings and sentiments toward each other which bind them together in collaborative effort. Moreover,

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[1]A. Zalesnik, C. Christensen and F. Roethlisberger, The Motivation, Productivity, and Satisfaction of Workers: A Prediction Study (Boston, Mass.: Division of Research, Harvard Business School, 1958), pp. 34-35.

[2]Fritz J. Roethlisberger, Management and Morale (Cambridge, Mass.: Harvard University Press, 1962), p. 22.

these collective sentiments can, and do, become attached to every item and object in the industrial environment--even to output, material goods, wages, hours of work, etc. These sentiments cannot be treated as things in themselves. Instead, they must be interpreted as carriers of social value. In regard to the social needs of individuals, Roethlisberger says:

> We all want tangible evidence of our social importance. We want to have a skill that is socially recognized as useful. We want the feeling of security that comes not so much from the amount of money we have in the bank as from being an accepted member of a group. A man whose job is without social function is like a man without a country; the activity to which he has to give the major portion of his life is robbed of all human meaning and significance.[1]

Within any business enterprise there exists, in addition to the formally established organization, an informal organization which consists of unstructured groups of employees. These groups have their own informal codes of behavior and their own sentiments in terms of which the behavior of their members is regulated and controlled.[2]

Roethlisberger believes that informal organizations have a very healthy and normal function in any business organization in that they give people who are members of such groups a feeling of security, a feeling of belonging, and a feeling of being part of something. Furthermore, he observes

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[1] Ibid., pp. 24-25.

[2] Ibid., p. 123.

that much of the effective working together of people is dependent upon informal routines and codes of behavior, because without them, any organization serves the individual in two ways: the individual who subordinates himself to group codes of behavior obtains, on the one hand, certain feelings of security and, on the other, certain feelings of social satisfaction.[1]

Managers should never underestimate the power and influence of the informal organization over its individual members. Just as surely as the formal organization evaluates its members in regard to prescribed standards, so does the informal organization evaluate these same individuals in regard to codes of behavior.[2] Generally, the evaluation schemes in the formal organization are much more logically explicit and articulate than are those of the informal organization, but they are not, for that reason more powerful in their effects than are those of the informal organization. As Roethlisberger states:

> The sentiments underlying the evaluations made by the informal organization are often very powerful determinants of human behavior. The result may be that a worker feels worse to be judged a "rate buster" by his fellow workers than to be judged a "poor worker" by his supervisor. And he may behave accordingly.[3]

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[1] Ibid.

[2] Ibid.

[3] Ibid.

Rensis Likert points out the fact that the strength of the informal organization within any segment of the formal organization is largely dependent upon the type of supervisory leadership which exists within the unit.[1] Likert distinguishes between two basic types of supervisors: those who are employee-centered and those who are production-centered or job-centered.

The employee-centered supervisor concentrates his attention on the human aspects of his subordinates' problems and attempts to work with them and to build them into a smooth-functioning and highly productive team. He is characterized by displaying more concern about his subordinates than about their level of production. The job-centered supervisor, on the other hand, tends to consider his subordinates as being machines that have to be told exactly how and when to work. This type of supervisor continually emphasizes the required production level and pushes his subordinates through a set production routine developed by time and motion studies. Likert claims that the informal organization would be far more important to subordinates of the job-centered supervisor than to those of the employee-centered supervisor.

It is very important that managers recognize the social needs of their employees.[2] As has been indicated, when these needs are not met by the formal organization, the informal

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[1]Rensis Likert, New Patterns of Management (New York: McGraw-Hill Book Company, 1961), p. 7.

[2]Chris Argyris, Understanding Organizational Behavior (Homewood, Illinois: The Dorsey Press, Inc., 1960), p. 10.

organization becomes stronger. This is not to say that informal organizations, per se, are bad. On the contrary, they can be a powerful tool for the alert manager to use in motivating employees, provided the manager fully understands how and why they exist. Under poor management or supervision, however, informal groups can easily and effectively restrict production. Such groups sometimes form when workers feel a sense of impotence by becoming dependent upon a system that is by no means dependent upon them. In other words, the workers feel a complete lack of control over their working environment. Generally speaking, this lack of control is engineered into the system by excessively simplifying and rationalizing the flow of work and is compounded by excessive supervision and control and by the lack of effective communication between managers and the people they manage.[1]

The success of the Scanlon Plan, for example, which will be discussed more completely in Chapter III, is largely attributable to the fact that rewards for increases in production are distributed to entire groups of workers rather than to individuals, and to the fact that the workers participate with management in devising methods to raise production rates or quality standards.[2]

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[1]Gellerman, Motivation and Productivity, p. 120.

[2]McGregor, The Human Side of Enterprise, p. 115.

The managerial strategies implied by the assumptions basic to The Social Man Approach to worker motivation are:

1. A manager should not limit his attention to the task to be performed, but should give more attention to the needs of the people who are working for him.

2. Instead of being concerned with motivating and controlling subordinates, the manager should be concerned with their feelings, particularly their feelings in regard to acceptance and sense of belonging and identity.

3. The manager should accept work groups as a reality and think about group incentives rather than individual incentives.

4. The manager's role shifts from planning, organizing, motivating, and controlling to one of acting as an intermediary between the men and higher management, listening and attempting to understand the needs and feelings of his subordinates, and showing consideration and sympathy for their needs and feelings. The manager, instead of being the creator of work, the motivator, and the controller, becomes the facilitator and sympathetic supporter.[1]

The Self-Actualizing Man Approach

This is a new approach to employee motivation and, with few exceptions, it is a relatively unproved and unapplied concept in employee motivation.[2] The foundation of this

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[1]Schein, Organizational Psychology, p. 51.

[2]Ibid., p. 59.

approach is a recognition of man's upper-level needs as defined by Maslow, esteem and self-actualization. The reference of this approach is to man's need to use his capacities and skills in a mature and productive way. "Employee participation" is a key phrase generally associated with this motivation concept.

This approach, like the previous ones, makes certain assumptions about the nature of man.[1] It assumes that all men do have a hierarchy of needs and particularly emphasizes the ego-satisfaction and self-esteem needs, the needs for autonomy and independence, and the self-actualization needs in the sense of making maximum use of all man's resources. It is assumed that even the lowliest, untalented man seeks self-actualization, or a sense of meaning and accomplishment in his work, if his other needs are more or less fulfilled.

The other assumptions about man which Schein includes in this approach are:

1. Man seeks to be mature on the job and is capable of being so. This means the exercise of a certain amount of autonomy and independence, the adoption of a long-range time perspective, the development of special capacities and skills, and greater flexibility in adapting to circumstances.

2. Man is primarily self-motivated and self-controlled. Externally imposed incentives and controls are likely to threaten the person and reduce him to a less mature adjustment.

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[1] Ibid., pp. 56-57.

3. There is no inherent conflict between self-actualization and more effective organizational performance. If given a chance, man will voluntarily integrate his own goals with those of the organization.

Schein's assumptions about the nature of man are paralleled by McGregor, who designated his assumptions "Theory Y":

> 1. The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work.
> 2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.
> 3. Commitment to objectives is a function of the rewards associated with their achievement. The most significant of such rewards, e.g., the satisfaction of ego and self-actualization needs, can be direct products of effort directed toward organizational objectives.
> 4. The average human being learns, under proper conditions, not only to accept but to seek authority. Avoidance of responsibility, lack of ambition, and emphasis on security are generally consequences of experience, not inherent human characteristics.
> 5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
> 6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.[1]

It was McGregor's contention that the assumptions of Theory Y point up the fact that the limits on human collaboration in the organizational setting are not limits on

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[1]McGregor, The Human Side of Enterprise, pp. 47-48.

human nature, but rather limits on management's ingenuity in discovering how to realize the potential represented by its human resources. The implication of Theory Y is that if employees are lazy, indifferent, unwilling to take responsibility, intransigent, uncreative, or uncooperative, the causes must lie squarely in management's methods of organization and control.[1]

Basic to the self-actualizing approach is the idea that a satisfied need is not a motivator of behavior. McGregor made this point in discussing the limitations of Theory X.[2] Herzberg's studies led him to the same conclusion.

Based upon a study involving 1,685 employees, Herzberg determined that man has really two needs.[3] First, there is the need to avoid pain or dissatisfaction from the environment. This includes all learned drives which become conditioned to the basic biological needs. Herzberg calls these dissatisfaction-avoidance factors "hygiene" factors. Examples of hygiene factors are company policy and administration, supervision, interpersonal relationships, working conditions, salary, status and security. Hygiene factors affect the individual more by their absence than by their presence.

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[1] Ibid.

[2] Ibid., p. 36.

[3] Herzberg, "One More Time," pp. 55-62.

The second need of man relates to his ability to achieve, and through achievement to experience psychological growth. The fulfillers of this need Herzberg labels growth or "motivator" factors. Examples of these factors are achievement, recognition for achievement, work itself, responsibility and growth or advancement. The stimuli required for growth needs are tasks that induce growth or job content. Conversely, the stimuli for inducing dissatisfaction-avoidance behavior are found in job environment.

McGregor made the same observation regarding rewards to fill the above needs described by Herzberg. The only real difference is that McGregor labels the rewards furnished by the environment, e.g., money, fringe benefits, promotion, etc., "extrinsic" rewards. The rewards of growth and goal achievement he calls "intrinsic" rewards. In the use of these two types of rewards, McGregor observed,

> Management has rather fully exploited the possibilities of influencing behavior by controlling extrinsic rewards and punishments. In general, however, far less attention has been paid to intrinsic rewards.[1]

If this observation is correct, perhaps the reason for the lack of management emphasis on intrinsic rewards is two-fold. These rewards are really psychological in nature and are thus intangibles which are difficult to provide. In addition, it is often very difficult for managers to notice

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[1]McGregor, The Professional Manager, p. 7.

any direct relationship between the giving of such rewards and the level or quality of employees' productive efforts.[1]

Implicit in this approach to motivation is the notion that job satisfaction is of great importance to the employee, and that genuine job satisfaction develops only when the employee has some degree of control over the day-to-day factors which influence his job. The main reason that this approach has not been widely practiced is that most managers today are reluctant to let the employees participate in the control of their jobs--or stated another way, to have more responsibility and autonomy on the job. This reluctance is even more intensely shared by many supervisors.[2]

As a matter of fact, one reason given for the rise of trade unions has been the dependence upon the formal organization which workers have felt as management held a tight rein on the delegation of authority to the workers.[3] McGregor confirmed Coleman's observation when he said,

> . . . and to the extent to which unions have attempted to place restrictions upon management's authority reflects not only a desire for power, but a conscious attempt to reduce the dependence of the workers upon their bosses.[4]

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[1] Ibid., p. 8.

[2] William H. Whyte, Jr., Is Anybody Listening? (New York: Simon and Schuster, 1952), p. 44.

[3] John R. Coleman, "The Compulsive Pressures of Democracy in Unionism," American Journal of Sociology, LXI, No. 6 (May, 1956), 522.

[4] Douglas McGregor, "Conditions of Effective Leadership in the Industrial Organization," Journal of Consulting Psychologists, VIII (1944), 55-63.

Thus it would appear that when management fails to recognize and seek to fulfill all of the employees' needs, the employees will turn to other sources or means by which management can be pressured into meeting their needs. This situation was observed by Chris Argyris in his studies of various kinds of manufacturing organizations.[1] He found again and again that if the job itself is perceived by an employee as being too limiting or meaningless, that employee will create meaning and challenge by outwitting management or by banding together with others in groups.

Many of the behavioral scientists recognize the value to management of helping workers attain personal satisfaction at work. And they recognize the fact that in order to be satisfied, workers must have some voice in the design of, or some control over, their jobs. E. Wright Bakke, for example, states that one of the most important needs of workers is to enlarge those areas of their lives in which their own decisions determine the outcome of their efforts.[2] Victor Vroom found that workers who were highly involved in their jobs tended to obtain satisfaction from opportunities for self-expression.[3]

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[1]Chris Argyris, Integrating the Individual and the Organization (New York: John Wiley & Sons, Inc., 1964), p. 58.

[2]E. W. Bakke, The Unemployed Worker (New Haven, Conn.: Yale University Press, 1940), pp. 29 and 247.

[3]Victor H. Vroom, "Ego-Involvement, Job Satisfaction, and Job Performance," Personnel Psychology, XV, No. 2 (1962), 159-178.

Herzberg agreed with McGregor's evaluation of the nature of man when he suggested that the healthy individuals look for responsibility, develop commitments, and establish their own challenges.[1] Peter Drucker postulates that the main reason so many automobile assembly line workers put a premium on slovenly work, on slowdowns, and on other tricks to get the same pay with less work is because, except for the paycheck itself, the work provides absolutely no sense of personal achievement to the workers.[2]

Gellerman pretty well capsulized the idea behind this concept of motivation when he said:

> The ultimate motivation is to make the self-concept real; to live in a manner that is appropriate to one's preferred role, to be treated in a manner that corresponds to one's preferred rank, and to be rewarded in a manner that reflects one's estimate of his own abilities. Thus we are all in perpetual pursuit of whatever we regard as our deserved role, trying to make our subjective ideas about ourselves into objective truths.[3]

In the self-actualizing approach to employee motivation, the whole basis of motivation shifts from being extrinsic--the organization does something to arouse motivation--to being intrinsic--the organization provides an opportunity for the

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[1]Frederick Herzberg and Roy M. Hamlen, "A Motivation-Hygiene Concept of Mental Health," Mental Hygiene, XLV, No. 3 (July, 1961), 394-401.

[2]Peter F. Drucker, Concept of the Corporation (New York: John Day, 1946), p. 179.

[3]Gellerman, Motivation and Productivity, p. 290.

employee's existing motivation to be harnessed to organizational goals.[1]

In both the rational-economic and the social man theories, the psychological contract between organization and worker involves the exchange of extrinsic rewards, economic or social, for performance. In the self-actualizing man theory, the contract involves the exchange of opportunities to obtain intrinsic rewards, or satisfaction from accomplishment and the use of one's capacities, for high-quality performance and creativity.

The Complex Man Approach

The basis of this approach is a recognition of the fact that man is not only complex within himself, being possessed of many needs and potentials, but that he is also likely to differ from his neighbor in the patterns of his own complexity.[2]

The assumptions regarding the nature of complex man are:[3]

1. Man is not only complex, but also highly variable; he has many motives which are arranged in some sort of hierarchy of importance to him, but this hierarchy is subject to change from time to time and from situation to situation.

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[1]Schein, Organizational Psychology, p. 57.

[2]Ibid., p. 60.

[3]Ibid.

2. Man is capable of learning new motives through his organizational experiences, hence ultimately his pattern of motivation and the psychological contract which he establishes with the organization is the result of a complex interaction between initial needs and organizational experiences.

3. Man's motives in different organizations or different subparts of the same organization may be different; the person who is alienated in the formal organization may find fulfillment of his social and self-actualization needs in the union or informal organization.

4. Man can become productively involved with organizations on the basis of many different kinds of motives; his ultimate satisfaction and the ultimate effectiveness of the organization depends only in part on the nature of his motivation. The nature of the task to be performed, the abilities and experience of the person on the job, and the nature of the other people in the organization all interact to produce a certain pattern of work and feelings.

5. Man can respond to many different kinds of managerial strategies, depending on his own motives and abilities and the nature of the task; in other words, there is no one correct managerial strategy that will work for all men at all times.

Gellerman suggests that there is no single motive that determines how all workers will react to all jobs and

therefore no single strategy will keep morale and productivity high for everyone everywhere. To quote him:

> We have to deal with human diversity (or, to phrase it another way, with individual uniqueness) regardless of whether we find it administratively convenient or conceptually easy to grasp. And it is neither. This diversity arises from three basic qualities of human existence: that people grow up and live in many different kinds of environments, even in one country; that they are sensitive enough to have their attitudes toward life and toward themselves molded to a considerable degree by the subtleties in their environments; and that their reactions to both the subtle and the conspicuous in their environments are not necessarily rational. In any sensible approach to motivation we have to deal with people not as an engineer might have designed them, but the way the good Lord did.[1]

Perhaps the most significant implication of this approach to employee motivation is that the successful manager must be a good diagnostician and must possess a spirit of inquiry. Furthermore, the alert manager must realize that if the needs and motives of his subordinates are different, they must be treated differently.[2]

Summary

In this chapter four approaches to employee motivation were discussed and the various types of individual needs to which each approach related were enumerated. Chapter III discusses various types and categories of industrial incentive plans which attempt to motivate employees

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[1]Gellerman, Motivation and Productivity, p. 175.

[2]Schein, Organizational Psychology, pp. 60-61.

toward organizational goals by catering to different personal needs of the workers. The order in which the plans are presented is generally that of their introduction into the industrial community.

CHAPTER III

INDUSTRIAL INCENTIVE PLANS

Introduction

Industrial incentive plans are management devices for motivating employees and were given increasing attention early in the Twentieth Century. Pioneer incentive plans provided financial rewards in direct proportion to an employee's production level. The majority of incentive plans in current usage are also financial plans, in that the rewards they provide are economic ones. The primary difference, however, is that many of the newer plans are group incentive plans which make neither a clearly defined nor a direct linkage between rewards and the level of employee output. There are even plans that, while providing either no financial reward or only a token financial reward, enable employees to gain nonfinancial rewards which are considered to be quite meaningful to the recipients.

According to William Scott, the financial incentive is, and will remain, one of the most important motivations of men at work.[1] He identifies nonfinancial incentives as: job

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[1]Scott, Human Relations in Management, pp. 252-253.

security, company concern for the individual, opportunity for advancement, good working conditions, prompt and equitable handling of complaints, good supervision and liberal vacation policy. It is recalled from Chapter II that Herzberg labels these items "hygiene" factors, or "satisfiers," and would more likely class as nonfinancial incentives those factors which he called "motivators"--growth and advancement on the job, peer recognition and esteem, and a sense of personal achievement. Regardless of what they are called, any of these items can be classed as nonfinancial incentives.

Are nonfinancial incentives as powerful motivators as financial ones? James Lincoln, founder and president of the Lincoln Electric Company, claims that man's chief incentive is the recognition of his abilities by himself and by his contemporaries.[1] To illustrate his point, Lincoln makes an interesting comparison between incentives which motivate workers with those which motivate amateur athletes. He suggests that the incentive for amateur athletes is not found in money, short working hours, easy work, safety, seniority, security on the job, or bargaining power, but rather in his own and his peers' recognition of his abilities. As Lincoln puts it,

> The feeling that we are outstanding and are so recognized by our fellows. That is the greatest incentive that is universal. That is the incentive that almost completely determines our efforts in life.[2]

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[1]James F. Lincoln, Incentive Management (Cleveland, Ohio: The Lincoln Electric Company, 1951), pp. 103-104.

[2]Ibid., pp. 98-101.

What factors combine to make a successful incentive plan? William Knowles believes that the requirements are that the system must be easily understood to prevent the employees from being fearful of being cheated, "take-home" pay must be easily computed, incentives should be related to output, and incentive earnings should be paid as soon as possible after they have been earned.[1] David McClelland adds employee confidence that the plan will work as one of the prime requisites of a successful incentive plan.[2] Lincoln would say that the worker must feel he is recognized in accordance with his contribution to success. He adds that it is only when the worker wants to do his best that an incentive plan can successfully motivate him.[3] Chris Argyris believes that incentive plans should avoid giving employees extra financial rewards for behaving in a responsible manner.[4]

The types of incentive plans covered by this chapter include individual and group time-based systems and revenue participation systems.

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[1]William H. Knowles, Personnel Management (New York: American Book Company, 1955), p. 366.

[2]David C. McClelland, "Toward A Theory of Motive Acquisition," Readings in Organizational Behavior and Human Performance, L. L. Cummings and W. E. Scott, eds., (Homewood, Ill.: Richard D. Irwin, Inc. and The Dorsey Press, 1969), p. 146.

[3]Lincoln, Incentive Management, p. 81.

[4]Argyris, Integrating the Individual, p. 259.

Time-Based Systems

Time-based systems are so constructed as to vary earnings directly with output according to a predetermined formula. There are three basic time-based plans: one, a straight piecework system, having strict proportionality between output and earnings; one giving workers high earnings at low levels but relatively lower earnings at high output levels; and one which recognizes the fact that it is more difficult to increase already high output and therefore allows the worker to earn proportionately more at higher output levels.

In some incentive plans, such as Taylor's Differential Piecework, Emerson's Efficiency-Bonus and Gantt's Task-Bonus, discontinuities are present in wage payment curves at certain standard output levels. These discontinuities make it possible for workers, producing above the standard output level, to increase their earnings substantially by added increments of productivity. The use of such discontinuities as incentives to higher levels of production contrasts with straight piecework plans where additional increments of pay are simply a linear function of output.

Of vital importance to the success of time-based financial incentive plans is the setting of accurate times and rates the first time around. If the rate is "loose," the average worker can reach the high pay segment of the wage

payment curve with comparative ease. The result is increased production costs and lower efficiency. When the rate is too "tight," workers have difficulty in reaching high incentive earnings, causing morale problems due to frustration with the system.[1]

Accurate time and rate setting is a challenging goal to attain, even when they are set by well-qualified rate-setters. The reason for this is that workers are easily unnerved when they are observed by the rate-setters and tend to slow down rather than to maintain a normal production pace. Scott says that such behavior results from either conscious intent or from subconscious apprehensions which are caused by a mixture of attitudes including fear of the unknown, desire to maintain an established financial and status position, and resentment of being studied. The major difficulty most rate-setters have in this regard is to convince the workers that it is the job, rather than the worker (as an individual) that is being observed.[2]

While the science of time study was accepted by the early scientific managers, they could not agree on a scientific incentive system for rewarding workers with a fair day's pay. As a result, there were almost as many incentive systems as there were industrial engineers, each

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[1]Scott, Human Relations, p. 254.

[2]Scott, Human Relations in Management, p. 255.

rewarding the workers with slightly different amounts for the same amount of work.[1]

Some of the more commonly used individual time-based incentive plans are briefly described as follows:

1. The Straight Piecework Plan is widely used in industry because of its simplicity of administration and because it is so uncomplicated that it is easily understood by all workers. Each worker is paid a set amount for each item produced.[2]

2. The Taylor Differential Piecework Plan employs two piece rates--one high and one low. The incentive value of producing on the high scale is designed to be sufficiently strong to entice a worker to produce above the standard time.[3]

3. The Halsey Plan provides workers with a guaranteed hourly wage and adds a share of the value of all production time saved in performing a task.[4]

4. The Gantt Task-Bonus Plan guarantees the day rate for working time, plus another guaranteed rate for all down-time caused by machine breakdowns, lack of materials, or any other factor beyond the control of the operator. For all

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[1]Knowles, Personnel Management, p. 36.

[2]Scott, Human Relations in Management, p. 256.

[3]Knowles, Personnel Management, p. 35.

[4]Henry G. Hodges, Management (Cambridge, Mass.: The Riverside Press, 1956), p. 491.

production above the standard the worker receives a sliding scale percentage premium of the base rate.[1]

5. The Emerson Efficiency-Bonus Plan guarantees the day rate and provides for premiums on a graduated scale proportionate to productivity.[2]

6. The Rowan Premium Plan guarantees pay at the base rate for all hours worked. It adds to the worker's actual time a percentage of that time, which percentage is the ratio of the time saved to the standard time.[3]

Incentive Plans for Office Workers[4]

Incentive plans for office or "white collar" workers are not so well developed nor so generally used as are those in the production processes. Such plans may, however, be developed successfully for either individual or group accomplishments, depending on the type of work involved and the size of the office organization.

For the worker in the small office, most incentive standards are based on the personal judgment of someone in the general management group, especially when the workers are not organized. But the effectiveness of even the small office force can be measured against general standards established

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[1]Scott, Human Relations in Management, p. 259.

[2]Hodges, Management, p. 491.

[3]Ibid.

[4]Ibid.

by methods and time study, corrected to account for local conditions. An alternative method might be to set up specific standards for individual offices by the same techniques when the expense appears justifiable.

In some large offices specific jobs may be paid a piecework rate. Such a situation, however, is a rarity because of some difficulty in establishing mutually agreeable piecework time allowances for most kinds of office work and perhaps more importantly, because salary and not piecework rate has been the traditional basis for employee wages.

Group-Incentive Plans

Group incentive plans are described by Charles Lytle as:

> . . . an incentive applied collectively to employees whose operations are definitely interdependent or related, and who are equally suited to their various duties. Such a group will have a community of interests and mutual respect of individual members.[1]

Lawrence Lovejoy recommends using group incentive plans when: (1) work is performed by a team, (2) individual measurements are too difficult to make, or (3) the nature of the job changes often.[2]

Scott says that group incentive plans are generally implemented as a convenience to management or for technological

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[1]Charles W. Lytle, Wage Incentive Methods (New York: The Ronald Press, 1942), p. 312.

[2]Lawrence C. Lovejoy, Wage and Salary Administration (New York: The Ronald Press, 1959), p. 343.

reasons, rather than as a means of conforming to the social and psychological climate of small group behavior in the work environment.[1]

Piecework Group Incentive Plans

The purpose of this type of incentive plan, like other group plans, is to increase production through team-work. But it is only natural that there should be some slow individual members of the team, especially if the team is large. Ordinarily, the group interest either spurs such individuals to carry their share of the load or makes them feel that transfer to another job would be advisable.[2]

Premium pay is based on production above a set standard for the group. It is split among members on the basis of their respective total wage, their base wage rate, or the number of hours worked. Individual efforts above average are not rewarded by any special provisions.

In addition to the advantages of increased productivity and worker pay, the group plan is expected to decrease the amount of required supervision and accounting costs. Conversely, the disadvantages are the lack of individual incentives and the impossibility of measuring individual efficiency.

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[1]Hodges, Management, p. 264.

[2]Ibid., p. 495.

The Scanlon Plan

The bases of the Scanlon Plan are participation and reward for results of participation. Employees are asked to join groups to help solve particular cost, production, waste and other problems. These groups are given any required staff assistance and the authority to make recommendations. If their recommendations result in lower costs and/or higher production, the employees share a proportion of the increased profits.[1]

As assessed by George Strauss and Leonard Sayles, the plan represents an approach to the total mobilization of cooperative forces of all employees from top management down to the lowest level of workers for the purpose of reaching organizational goals.[2] Scott adds,

> It is at once a group incentive plan and a revenue participation system coupled with a suggestion system. The plan includes a wage-bonus formula and a method for processing suggestions and implementing them.[3]

The suggestion system under the Scanlon Plan does not have individual payoffs. And, suggestions do not necessarily come from individuals. A structure is established, including

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[1]Joseph N. Scanlon, "Profit Sharing Under Collective Bargaining: Three Case Studies," Industrial and Labor Relations Review, II, No. 1, (October, 1948), 58-75.

[2]George Strauss and Leonard Sayles, "The Scanlon Plan: Some Organizational Problems," Human Organization (Fall, 1957), 15-22.

[3]Scott, Human Relations, p. 265.

the production committee, which taps group inventiveness for the development and presentation of suggestions.

Production committees are comprised of employees who are elected by fellow employees and management representatives in each department. These committees meet formally once each month to discuss all suggestions submitted that month. They also discuss other problems which may be brought up by foremen. Problems, for example, may range all the way from the layout of new equipment to cost factors on specific products. Although the majority of suggestions are approved by production committees, the committees do not have the right to accept or reject ideas presented to them. That right is reserved by management. Furthermore, the production committees may not enter the areas of union business, grievances, wages, etc., but must deal exclusively with operating improvements.[1]

A screening committee--composed of a top executive as chairman, department executives, the president or steward of the union, and employees' representatives representing two or more production committees--meets monthly to consider the suggestions forwarded by the production committees, to analyze the previous month's performance, and to determine the reasons why it was favorable or unfavorable. The screening committee

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[1]Fred G. Lesieur and Elbridge S. Puckett, "The Scanlon Plan Has Proved Itself," Harvard Business Review (September-October, 1969), 110-111.

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[1]Fred G. Lesieur and Elbridge S. Puckett, "The Scanlon Plan Has Proved Itself," Harvard Business Review (September-October, 1969), 110-111.

also takes up any company problem, or matters of interest, which management wants to communicate to all employees--for example, the discussion of new products to be introduced into production to meet competitors' products. An additional function of the screening committee is to serve as a "court of higher appeal" for suggestions which have been disapproved at the production committee level but which the originator chooses to push.[1]

How is the amount of bonus determined under the Scanlon Plan? Usually a ratio of the total payroll to the sales value of production (net sales plus or minus the change in inventory) in a prior base period is compared with the same ratio in the current period. Any improvement in this ratio provides a bonus pool. Part is set aside as a reserve against possible deficit months. The remainder is usually divided by giving 25 percent to the company and 75 percent to all employees as the month's bonus. The bonus is distributed as a percentage of the employees' gross income during that accounting period, so that the bonus paid reflects differentials in wages or salaries paid for differences in job content.

Fred Lesieur and Elbridge Puckett give four reasons why the Scanlon Plan yields better results than do other group incentive plans:

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[1] Ibid., p. 112.

1. Working under the Scanlon Plan, the employee finds it more natural to take a broader view of the company's problems.
2. Management finds it easier to stress quality production, if that is important, in a Scanlon Plan environment than where the direct worker is paid according to his specific operation.
3. Getting the cooperation and support of the indirect servicing groups, i.e., tool room, maintenance, and materials handling, is much easier when these groups receive incentive earnings.
4. Through their committee activities, managers are able to discuss company objectives with employees and attain a response that is not possible under an individual incentive system.[1]

Schein notes that once employees do become committed to organizational goals, they are capable not only of much more production but also of innovations which reduce costs, often beyond the best efforts of industrial engineers.[2] Joseph Scanlon suggests that a major benefit of the plan is that it results in the employees using many of their more important abilities, in being less dependent, passive, and subordinate toward management, and in having increased control over their own immediate work environment.[3]

The Lincoln Plan

The Lincoln Plan modified the conventional piecework system so that its disadvantages practically do not exist.

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[1] Ibid., p. 116.

[2] Schein, Organizational Psychology, p. 59.

[3] Joseph N. Scanlon, "Adamson and His Profit-Sharing Plan," American Management Association, Production Series, No. 172 (1947), 10-12.

Time and rate standards must be carefully and accurately set the first time because the plan prohibits the cutting of piece rates. An advisory board of employees and an extensive suggestion system underscore the group participative nature of the plan. The plan provides both financial and nonfinancial incentives and includes a substantial revenue participation program.[1]

Under this plan, each worker is rated by all those who have accurate knowledge of some phase of his work. On the basis of the rating, he is rewarded or penalized. He is rated three times per year. The sum of these ratings determines his share in the bonus and advancement. When he is rated, he may ask any question of each rater regarding the rating given. The income, advancement and standing of each man are determined by his cumulative annual ratings. Thus, Lincoln points out, the employee not only tries to be a more productive worker, but he has equally the incentive to be more accurate, more cooperative and more helpful in finding new methods of more efficient production. He not only will save waste and time, but also will be a self-starter who does not need much supervision.[2]

After the company pays annual dividends and a portion of the profits is set aside for expansion of the company, the balance is divided among the employees based upon each man's degree of contribution.

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[1]Scott, Human Relations in Management, p. 265.

[2]Lincoln, Incentive Management, p. 110.

Lincoln lists three reasons why incentive plans fail.[1] All of them, he says, relate directly to a failure of leadership. These reasons are: a failure of management to understand the human urges involved; a lack of honesty of purpose on the part of management; and a lack of ability on the part of management to make the team and to do its part to the extent that the worker accepts management as a teammate.

The most significant effect of the Lincoln plan has been to develop an attitude of employee trust in the integrity and honesty of management. The developing of such an attitude is, or should be, the ultimate aim of every successful incentive plan. Lincoln's plan seems to be one of the most successful in this regard.[2]

Revenue Participation Systems

The fact that time-based plans have had spotty success as incentives is attested to by experimentation with other systems using a different rationale for applying financial incentives. Revenue participation plans form another category of financial incentives.[3]

The primary objective of revenue participation plans is to allow the employee more diversified opportunities for sharing in the progress and profitability of his company.

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[1] Ibid., pp. 148-149.

[2] Scott, Human Relations in Management, p. 265.

[3] Ibid., p. 259.

Part of the rationale is that all members of an organization contribute to its success.

Scott discusses the principle of distributive justice, which he says simply means that profits should be returned to the employees in one form or another.[1] The means of profit distribution takes the form of programs of stock ownership, profit sharing and bonus plans. The main characteristic of such plans is the absence of a direct connection between the effort the individual expends on his job and the amount of money he receives from his company's program. Such programs have a strong psychological impact on workers provided those programs are carefully selected and well administered. This is not difficult to appreciate. For an employee to receive official information from top management about the progress of the business, and to be complimented for contributing to its success, is a stimulus for that employee which is not translatable into economic terms.[2]

Profit Sharing Plans

Profit sharing is a term which generally describes plans under which an employer pays to all employees, in addition to regular pay, special current or deferred sums based on the prosperity of the business as a whole. Scott suggests that the reconciliation of the interests of management

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[1] Ibid.

[2] Ibid., p. 260.

and labor is the raison d'etre of profit sharing.[1] K. M. Thompson describes profit sharing as a form of "democratic capitalism" and considers it to be a combination of "ethical idealism and hard practicality."[2]

The role of employees in profit sharing programs is certainly unique. They are in one way elevated to the status of owners, in that they have a claim on company profits, although they are not penalized for losses nor are they able to sue the company for mismanagement. The determination regarding profit distribution, however, is, in the final analysis, made by management even though some companies may have employee advisory committees to discuss profit sharing matters.

The economic reasoning behind profit sharing is that it provides an incentive for greater efficiency.[3] It is reasoned that when an employee realizes that his low output is reducing his share in the profits, he will be inclined to work harder. Knowing that wasteful use of materials and abuse of machines reduce profits, the employee will exercise greater care. It is also felt that profit sharing promotes teamwork. Those wanting a larger share of profits will not tolerate a fellow employee who shirks his duties and they themselves will be more willing to help others.

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[1] Ibid.

[2] K. M. Thompson, Profit Sharing--Democratic Capitalism in America (New York: Harper and Bros., 1949), p. 16.

[3] Knowles, Personnel Management, p. 395.

Knowles gives five conditions for a successful profit sharing plan: (1) there must be stable profits, (2) profit sharing must be a bonus above the market wage rate, (3) profit sharing cannot be used for anti-union purposes, (4) profit sharing will not work unless employees understand how the plan works, and (5) profit sharing must be coordinated with a well-rounded personnel program.[1]

In regard to profit sharing plans Scott wrote,

> The administration of a profit-sharing program requires trust and a well-developed channel of communication between management and workers. The pitfalls of profit sharing are numerous, and, with a few exceptions, profit sharing has not been especially successful when applied to operative employees.[2]

Stock Ownership/Participation Plans

Some corporations use the purchase of stock at a special rate, or stock distribution in lieu of cash payments, as financial incentives.[3] While this type of incentive plan has found primary acceptance in industry in the form of executive stock option programs, it is a means by which employees can become part owners of the business, sharing all rights and risks associated with the particular stock issue held. Stock participation is unlike profit sharing in that the employee who owns stock actually has an equity in the business. This equity entitles him to share in the profits in

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[1] Ibid., pp. 397-398.

[2] Scott, Human Relations in Management, p. 262.

[3] Ibid.

the form of dividends which may be declared.

Scott points out that the direct incentive effect of stock ownership on individual effort is low, just as it is in profit sharing plans.[1] He also observes that the possibility of losses in a declining market is always present and may well have a negative influence on morale which ultimately would be manifested in productivity. He further suggests that many employees have little understanding of the stock market and may thus feel little, if any, incentive by being given "a piece of paper" for their work by management. And there is always the temptation for employees under this plan to sell their shares of stock shortly after receiving them, thus realizing short-term profits but, in the process, defeating the whole purpose of the plan.

Knowles' criteria for a successful stock participation plan are: (1) have stock of the investment type so that price and profits are stable and the stock enjoys a long-run growth, (2) the company either sells stock below the market price or matches the employee's funds, (3) the company employs a high proportion of well-paid, skilled workers who have more money to invest, (4) employees are thoroughly educated in regard to the meaning of stock participation, especially in regard to the possibility of financial loss and the right and effect of voting, and (5) the company avoids any indication of

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[1] Ibid.

paternalism since the object of the plan is to make employees partners with management--not its wards.[1]

Summary

The types of incentive plans discussed in this chapter include plans which are time-based, revenue participating, and benefit-sharing through cost reductions.

One type of industrial incentive plan was not discussed--suggestion systems. This type of employee incentive plan provides both financial and nonfinancial rewards to participants. Because of the dual nature of suggestion systems--that is, the providing of intrinsic rewards in addition to, and in some cases, instead of monetary rewards--this type of incentive plan will be discussed separately in Chapter IV.

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[1]Knowles, Personnel Management, pp. 400-401.

CHAPTER IV

SUGGESTION SYSTEMS

Introduction

The use of suggestion plans is not a recent innovation insofar as industrial incentive plans are concerned. The successful application of such plans, however, has only recently been realized on a wide-spread basis. The National Association of Suggestion Systems (NASS) estimates that prior to World War II, nearly ninety-five percent of all attempts to operate suggestion plans were unsuccessful. Most of the failures were due, according to NASS, to a lack of a full realization of the importance of the program, to a lack of the necessary and continued support, and to the fact that in many cases no suitable organization had been set up to handle the plan. As NASS warns, "Perfunctory administration is deadly blight to any suggestion system."[1]

In 1969 there were 229 companies, representing approximately 10,000 plants or local units in the United States, that reported statistics regarding the operation of

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[1] Suggestion Systems (Chicago: National Association of Suggestion Systems, 1944), p. 2.

their suggestion plans.[1] The numbers of employees who are eligible to participate in the plans at these reporting companies vary widely--from less than 150 in some smaller firms, to more than half a million at General Motors Corporation.[2] In that same year, employees in 1,500 companies and government agencies made suggestions that resulted in savings of more than $400 million.[3]

The philosophy behind these companies' suggestion plans, and the objectives and benefits of the plans are fairly standard, and will be discussed, in general terms, in the following sections.

General Objectives of a Suggestion Plan

Andrew Smith, the Director of General Motors Corporation's Suggestion Plan, identified certain primary and secondary advantages of suggestion plans.[4] He indicated that the primary advantages of a suggestion plan are the savings and improvements in operations which result from adopted

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[1]"Annual Statistical Report for the Year 1969," National Association of Suggestion Systems, April, 1970, p. 2.

[2]Ibid., pp. 9-18.

[3]"Ideas Blow You to Tomorrow," Industry Week (February 21, 1971), 27.

[4]Andrew E. Smith, "Keeping Suggestion Systems Dynamic," a paper presented at the 31st Industrial Engineering and Management Clinic, sponsored by the Industrial Management Society, Chicago, Illinois, November 3, 1967.

suggestions. He considered the secondary advantages to be equally important, however. Putting these advantages in the form of system objectives, they would be stated as follows:

1. To build better employee relations by improving supervisor-employee relations, by promoting teamwork, and by building employee identification with the company.

2. To provide satisfaction to employees by enabling them to obtain recognition for extra contribution, and by providing opportunity and personal incentive for self-expression.

3. To help supervisors to do their jobs better by improving operation of the supervisor's department and by promoting open-mindedness among supervisors.

4. To identify trouble spots.

5. To provide for education of employees by developing an awareness of problems and solutions, by promoting a consciousness of need for improvement, and by providing a positive approach to problem solving.

6. To identify prospects for promotion.

7. To bring about specific improvements with intangible benefits such as safer and better working conditions and improved product quality.

8. To improve customer satisfaction.

9. To provide public and community relations values.

NASS lists similar objectives for suggestion systems. They include cost reduction, better management-employee

inter-communications, increased employee loyalty, elimination of safety hazards, better housekeeping, quality improvement, and job improvement.[1]

The Maytag Company includes two other objectives for its plan: (1) to develop among employees an awareness of the problems management faces, and (2) to overcome, in some degree at least, the traditional resistance to change by giving the employee an opportunity to make changes of his own and to participate in the changes made by management.[2] International Business Machines Corporation (IBM) adds: "to provide a business check and balance on decision-making."[3]

Henry Hodges pointed out that a less apparent purpose of a suggestion plan is to stimulate personal participation in company affairs. He seems to concur with Andrew Smith when he said that improved employee participation often has more valuable, long-term results than are provided by the financial rewards for successful suggestions. As he puts it, "The cash goes to the winner, but the spirit of the contest permeates the group."[4]

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[1] "Ideas Blow You to Tomorrow," 28.

[2] "Work Simplification," Maytag Backgrounder, undated pamphlet published by the Information Center, The Maytag Company, Newton, Iowa.

[3] "Ideas for Improvement," pamphlet published by IBM Corporation, Armonk, New York.

[4] Hodges, Management, p. 413.

The National Association of Suggestion Systems notes that many suggestion plans fail because management loses sight of the true objectives of the plan.[1] The Association points out some apparent objectives that should be avoided. These include: emphasizing how many suggestions can be originated and how big a percentage of acceptance can be achieved; giving as many or as large awards as possible; seeking an impressive report to be made up at the end of a reporting period; and seeing how many forms can be developed for saving a certain amount of clerical time in offices. Unfortunately, NASS concludes, for too many suggestion plans, these are the actual, if not the stated objectives.

Key Factors for Employee Participation in Suggestion Systems

If the purpose of a suggestion system is to generate employee suggestions and, in the process, attain the program objectives previously enumerated, surely the success of any such system depends totally upon the degree of employee participation which is generated by the plan.

What are the main factors involved in generating strong employee participation in a company suggestion plan? Authorities on suggestion plans seem to generally agree that there are certain key factors, or areas of emphasis, which have a definite bearing upon the degree of employee participation in the plans. For the sake of simplicity, the

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[1] Suggestion Systems, p. 4.

opinions of some of these authorities will be synthesized into seven factors affecting employee participation. These factors, which will be discussed separately, are: (1) strong management support; (2) supervisory interest; (3) careful handling of suggestions; (4) fair suggestion evaluation; (5) adequate publicity; (6) quality training; and (7) appropriate awards presentation methods.

Strong management support and backing of the plan.--Andrew Smith advised that the interest and support of top management is essential to the success of a suggestion system. At General Motors, for example, it is a common practice for general managers to periodically sign editorials which support the suggestion system and which are published in the plant paper.[1] T. R. Wooley, manager of IBM's award program, also identifies good top management support as a key ingredient in the success of IBM's suggestion plan.[2]

Bernard Rosen lists four ways in which top management can and should prove interest and support for the program: (1) positively and repeatedly ask for employee participation; (2) set program goals and require progress reports; (3) participate in award ceremonies; and (4) consider awards in promotion. In regard to the last item, he said,

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[1]Smith, "Keeping Suggestion Systems Dynamic."

[2]T. R. Wooley, Manager, Award Programs, International Business Machines Corporation, letter of March 31, 1971.

> Adopted suggestions provide evidence of an employee's interest in success of the operation beyond his own job requirements. They frequently show ingenuity, resourcefulness, and abilities which may not otherwise have come to management's attention. These qualities should not be overlooked when making promotions and the fact that they haven't been overlooked should be made known to all employees in order to further encourage their participation.[1]

Smith notes that divisions and plants within the General Motors organization are rated on their total suggestion plan performance. The rating measures employee participation, processing of suggestions, and the quality of suggestions. The value of these ratings, which are reviewed by top management within the corporation, is understandably important to division and plant managers, who give the suggestion plan extra support in an attempt to keep their ratings above the company average.[2] Gordon Berner, suggestion systems supervisor at Dominion Foundries & Steel Limited, said in regard to management support,

> There's no doubt that management sincerity and commitment is the most important factor involved. Enthusiasm is contagious. If top management is enthusiastic, this enthusiasm will flow down through the organization. If top management doesn't seem to care, no one else will.[3]

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[1]Bernard Rosen, "Stretching the Tax Dollar Through A Suggestion Program," Public Personnel Review, July, 1957, XVIII, No. 3, p. 168.

[2]Andrew E. Smith, "To What Measures Can We Go?," address given to the National Association of Suggestion Systems, Wilmington, Delaware, May 20, 1969.

[3]"Ideas Blow You to Tomorrow," 28.

Enthusiastic and earnest supervisory interest in helping employees develop successful ideas.--Smith believes that first line supervisors are keys to the success in General Motor's suggestion plan. He is convinced that if the supervisors fully understand the philosophy of the program, they can use it to great advantage in building strong, healthy relationships with their employees.[1] Rosen thinks that a supervisor must be positively for the suggestion program. His role in this regard should include helping employees develop and write up their ideas; discussing the job with each employee and asking for ideas for improvements; explaining the nonacceptance of a suggestion to an employee; and participating in the awards presentations.[2]

Charles H. Foos, the suggestion program manager for United Air Lines, Incorporated, warns that foremen may see a suggestion system as a challenge to their authority, feeling that adopted suggestions indicate they are not doing their jobs properly. He says that supervisors must be convinced that a suggestion is not a "slap in the face," and that their bosses do not expect them to know every detail of every job under their cognizance. If they did, he points out, there would be no need for a suggestion system. To underline the

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[1]Smith, "Keeping Suggestion Systems Dynamic," 20.

[2]Rosen, "Stretching the Tax Dollar," 170.

importance of the supervisor's role, Foos concludes, "If employees see that you won't take a stand against a foreman who is blocking good suggestions, they'll give up on the system."[1]

The NASS suggests that supervisors be given triple credit for adopted suggestions originated by their subordinates:

> He should be given credit for the good idea since it was developed in his own department. He should get credit for having trained his men to do constructive thinking. And he should get credit from his supervisors for being the kind of man who gives his employees a square deal.[2]

George Odiorne recommends three ways of actively encouraging supervisor support for the organization's suggestion plan.[3] First of all, the volume of suggestions produced should be incorporated as an item in the annual supervisors' performance review. Standards for excellent, fair and poor supervisory results in stimulating high submission, evaluation and acceptance rates would do more than the best of propaganda efforts. Secondly, promotional standards should include an item on suggestions, with the high suggestors' supervisor being considered more promotable for his suggestion results in his department. Thirdly, salary

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[1]"Ideas Blow You to Tomorrow," 31.

[2]NASS, Suggestion Systems, p. 8.

[3]George S. Odiorne, "Motivation and Suggestion Systems," National Association of Suggestion Systems Quarterly, II (1966), 21.

administration for managers and supervisors should have as one of its criteria the feature of added value in salary adjustment going to those whose departments produced the most and best new ideas.

The Maytag Company uses several ways of encouraging supervisory support of the suggestion system.[1] They are:

1. Specific goals for suggestion submission are set in every department; for example: "one idea per month per supervisor" or "six installed ideas per year."

2. A monthly newsletter, distributed to all supervisory and top management personnel, gives recognition to those supervisors who have installed good cost reduction ideas. It also serves as a medium of communication to present new thoughts and policies to the supervisors.

3. There is an annual recognition banquet honoring all supervisors. The guest speaker is chosen to give the supervisors added knowledge in the field of work simplification. Guest speakers have included such noted experts in the field as Dr. Lillian M. Gilbreth, Allan Mogensen and Leo Moore. Special certificates are awarded by the president of the company to the top supervisors.

4. A monthly statistical report is published showing each department's goals and the number of employee and supervisor ideas to date. This information is reviewed

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[1]The Maytag Company, "Work Simplification."

quarterly by the Manufacturing Vice-President as to whether the various departments are on schedule according to their self-imposed goals.

Prompt, thorough and tactful handling of all suggestions.--According to Smith, probably the most important single thing which contributes to keeping a suggestion program active and progressive is good service, giving employees sound and prompt answers to their suggestions. He believes that employees judge management's attitude in part on the basis of the speed with which suggestions are handled. They seem to feel that if their suggestions are handled quickly, it is because management believes them to be important. Such dispatch, Smith notes, is regarded as a sign of respect for employees' opinions.[1]

Rosen believes that employees should be informed when their suggestions are received and should be further informed if any delays develop in the consideration of the suggestion. He adds that suggestions should be evaluated promptly and properly and that recognition and awards should likewise be appropriate and prompt. If a suggestion cannot be adopted, the reasons for non-adoption should be fully explained and the employee should be invited to submit additional suggestions.[2]

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[1]Smith, "Keeping Suggestion Systems Dynamic," 12.

[2]Rosen, "Stretching the Tax Dollar," 170.

Fair evaluation of all suggestions.--This vital factor was emphasized by the NASS, which pointed out that while fairness and thoroughness should characterize every move of the suggestion system, those attributes should be doubly stressed in analyzing suggestions and in evaluating them for the purpose of determining the amounts of awards to be given. The Association's position is quite clear on this point:

> The Suggestion System is very sensitive, and unless the process of analyzation is carried out impersonally, impartially, conscientiously, and thoroughly, it cannot prosper and thrive; can help neither plant nor employee; cannot live.[1]

John W. Macy, Jr., former Chairman of the U.S. Civil Service Commission, also attaches great importance to suggestion evaluation.[2] He points out that most suggestions have disadvantages as well as advantages. It often happens that ideas relating to a particular system or function are evaluated by a staff member who has responsibility for monitoring and updating that system or function. There is a human tendency, Macy believes, for the evaluator in such a situation to emphasize the idea's disadvantages and to play down the advantages for changes to the system or function which would result from the idea. The system or function may have been originally designed by the evaluator and there is

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[1] NASS, Suggestion Systems, p. 28.

[2] John W. Macy, Jr., "A Cost-Conscious Work Force," Cost Reduction Journal, III, No. 1 (Winter, 1966-67), 21.

naturally a high degree of pride associated with the design. Any changes indicate design flaws and inadequacies--implying that the designer did less than his best originally. Is it unnatural, then, for the evaluator to look very critically, and perhaps unobjectively, upon ideas which would propose to change his creation? Macy thinks not. And pride is not the only factor involved. As the evaluator studies the idea and recognizes the workload he would have to assume to make it a success, he is bound to realize that the originator of the idea will get the credit and cash while he, the evaluator, will bear the burden of implementing it.

What can be done to minimize such human deterrents to innovation? Macy suggests that management might effectively attack the problem in any or all of three ways.[1] First, and one of the most effective techniques, is for management to make clear by its decisions that an individual's commitment and receptivity to constructive innovation are factors taken into account in promotions. Secondly, on a more formal basis, an evaluator who has consistently done a superior job should be considered for an award or a special quality pay increase. Lastly, Macy would give attention to the use of control techniques by setting up a requirement that all proposals or suggestions having a potential value greater than a specified amount would be reviewed by a top management official before they are rejected.

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[1] Ibid.

W. B. Roberson, chief of management engineering and analysis for the General Dynamics Corporation at Forth Worth, Texas, notes that there are two schools of thought regarding the evaluation of suggestions: the individual and the committee approaches. When suggestion systems began, there was an inclination to use the committee evaluation approach because companies felt that more experience could be brought to bear on the ideas with greater likelihood of reaching compromise agreements. Furthermore, it is easier for an employee to accept a rejection from a committee than from an individual. Roberson now sees a movement away from the committee approach to the individual approach--to lower management personnel. He believes that it is wise to give the decision to someone in management who is knowledgeable in the area involved.[1]

Sufficient publicity of the plan and of participants.--Rosen says that good promotion and publicity are the fuel for a successful suggestion program. Furthermore, employees need to be informed of the aims, methods, and benefits of the program. The publicity, he believes, should develop their confidence in the program, and above all, it should stimulate an interest on the part of all employees to think creatively about their jobs and then to act by sending in those ideas which they believe to be good.[2]

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[1]"Ideas Blow You to Tomorrow," 31-32.

[2]Rosen, "Stretching the Tax Dollar," 170.

The General Motors Corporation suggestion plan includes a wide variety of promotional items which are frequently used by the divisions and plants to promote the plan. These items are:

Commercial Suggestion Plan Posters
Suggestion Plan Posters prepared in the plant or division
Bulletin Board Suggestion News
Special Suggestion Display Boards
Plant Newspaper Publicity
Suggestion Newsletters to Supervisors
Suggestion Newsletters to Employees
Local Newspaper Publicity
Local Radio Publicity
Local Television Publicity
Prize Drawings
Souvenir for first suggestion of year
Souvenir for first suggestion during lesser period
Prize for the best suggestion in a given period
Prizes related to suggestion awards amounts (accumulative or otherwise)
Award breakfasts, luncheons or dinners[1]

An interesting form of publicity which General Motors uses is the sending of letters of congratulations to a foreman when one of his employees earns an award for an outstanding suggestion.[2]

Continuous and quality training for employees and supervisors.--A very important factor in the success of a suggestion plan, in the judgment of the NASS, is education and training regarding eligibility to participate, identification of problem areas, development and submittal of suggestions,

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[1]Smith, letter of March 23, 1971.

[2]Smith, "Keeping Suggestion Systems Dynamic," 13.

and understanding of how suggestions are evaluated and awards computed. The Association believes that the need for this training process is a continuous one and applies to supervisors, evaluators, the plan coordinator, and suggestion plan committee just as much as it applies to the employees.[1]

The Maytag Company makes special training a prerequisite to eligibility for suggestion plan participation. Every employee attends at least eight hours of work simplification training before he is eligible to participate in the program. The Company gives this training credit for the very high rate of participation in the program. Non-supervisory employee participation since 1962 has been ninety-five percent, while supervisory personnel have had 100 percent participation since 1963.[2]

Method of awards presentation and amount of awards.--Two very important elements in the success of any suggestion system are the nature of the awards and the manner in which they are presented. Award presentations are most effective when made in the presence of the recipient's supervisor and peers.[3] Berner supports this viewpoint by saying, "Don't bring an employee to the president's office to get an award; get the president to go to the employee. It will show others in the plant that the boss really cares about suggestions."[4]

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[1]NASS, Suggestion Systems, p. 27.

[2]The Maytag Company, "Work Simplification."

[3]Hodges, Management, p. 413.

[4]"Ideas Blow You to Tomorrow," 32.

In regard to the amounts of awards which are paid for suggestions, the NASS declares:

> Whether the suggestion results in a tangible savings or act, it is absolutely essential to the success of any Suggestion System that the employees feel and know that they are receiving fair treatment and that they will benefit in proportion to the benefits derived by the company. To this end it is best to set up a definite formula for computing the value of suggestions which give rise to tangible savings, and to come as close to it as possible in all other cases. Then adhere to the letter of that formula.[1]

In addition, the Association advises that the formula for computing awards should be kept simple and that every effort should be made by management to ensure that all employees understand how suggestion plan awards are determined.[2] Suggestion awards are usually equal to between ten and twenty percent of the first year's estimated savings which would result from implementing the suggestion.[3] Hodges supports the NASS when he warns that regardless of how the awards are computed, the method must be well communicated to and understood by the employees.

Most suggestion plans specify both minimum and maximum award limits. For example, the Maytag Company's awards vary

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[1]NASS, Suggestion Systems, p. 38.

[2]Ibid., p. 39.

[3]Hodges, Management, p. 413.

from a minimum of $10 to a maximum of $2,500.[1] General Motors gives awards of $15 to $10,000.[2] IBM pays a minimum of $25 and a maximum of $75,000. In addition to awarding twenty percent of the first year's savings on net material and labor, IBM automatically reviews all awards of $50 or higher after one year. If additional savings or other benefits have been realized at that point, an additional award may be granted. Further, an additional award may be granted if additional use at other locations is made of the idea within the first year after adoption.[3]

Bases of Motivation of Suggestion Plans

The National Association of Suggestion Systems claims that, ". . . it is almost universal experience that the expectation of receiving a cash award is not the only incentive that originally inspires an employee to turn in a suggestion."[4] In view of this NASS comment it is interesting to note that the suggestion plan promotional material of a very large company such as the General Motors Corporation, with its very dynamic suggestion plan, is largely oriented to the financial rewards which are available to employees who originate

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[1]The Maytag Company, "Work Simplification."

[2]Smith, letter of March 23, 1971.

[3]IBM, "Ideas for Improvement," 10.

[4]NASS, Suggestion Systems, p. 7.

adoptable suggestions. One GM suggestion plan pamphlet, "There Must Be A Better Way!," however, appeals to employees by suggesting that submitting suggestions is not only financially rewarding, but also fun, satisfying, and means progress for the employee and for General Motors.

The suggestion program provides a means for employees to demonstrate initiative and interest beyond their job requirements and provides an opportunity for personal recognition and financial reward. Those employees who bring creativeness and resourcefulness to their work are identified and granted recognition.[1] Employees develop ideas and turn them into suggestions because they furnish the needed outlet, the psychological mechanism for the expression of concepts identified with their deepest mental and spiritual beings. They experience pleasure at seeing their own ideas at work in concrete form. They are genuinely interested in helping the company for which they work and honestly want to do their part in improving company operations.[2] These ideas of Rosen and of the NASS might easily be related to the upper-level needs in Maslow's hierarchy of individual needs and to McGregor's "Theory Y."

George Odiorne discusses two approaches to suggestion systems--the motivational approach and the systems approach.[3]

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[1]Rosen, "Stretching the Tax Dollar," 170.

[2]NASS, Suggestion Systems, pp. 7-8.

[3]Odiorne, "Motivation and Suggestion Systems," 20.

The motivational approach to suggestion plans has the following aspects:

1. The suggestion plan is treated as something apart from the supervisory system, the manufacturing and selling systems, and the accounting systems. It runs along in space beside them instead of being integrated into them.

2. The suggestion administrator is not part of the central core of the system, but is a kind of "special promotion" expert who runs a continuing contest with generous prizes.

3. The key problem under such a plan is to motivate people to suggest ideas outside of their regular duties. This makes the role of the suggestion plan promoter that of an amateur psychologist and promoter who conducts campaigns akin to the advertising department, but not as closely integrated into the main stream of the business.

Odiorne's thesis is that the motivational approach to suggestion plans is being rapidly supplanted with a systems approach to eliciting and using employee and managerial suggestions. In this regard he says:

> Under a systems approach we should first realize that the kind of behavior we seek to elicit from employees is more strongly controlled by the other systems of the firm or organization than by the promotions we issue or even the money we issue as awards.[1]

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[1] Ibid.

Summary

This chapter has taken a look at suggestion systems as they are applied in the industrial environment. The discussion included the objectives of suggestion systems, factors relating to employee participation in the systems, and some of the motivational aspects of suggestion systems.

In regard to the benefits of suggestion systems, Foos stated that they open new channels of communication, give employees a chance to look out for both their own welfare and the company's, demonstrate management's willingness to listen to employees, and get employees more deeply involved in their jobs.[1]

When a suggestion system is developed in such a way that an employee's idea is recognized as his individual contribution toward making the company's operation more efficient; when he is consulted as to the best way of putting his idea into practical operation and in determining its value to the company, then the suggestion system can become a very effective medium for improving industrial relations and in building mutual confidence and good will.[2]

The following chapter will consider the work environment of civilian employees within the Navy Department and then relate to this environment the factors which act to

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[1] "Ideas Blow You to Tomorrow," 28.

[2] NASS, Suggestion Systems, p. 6.

motivate them toward the seeking of organizational goals. Chapter V will then discuss the types of incentive plans which might be used by the Navy Department, the type of plan actually used, and the relative degree of success with which it is used.

CHAPTER V

DEPARTMENT OF THE NAVY INCENTIVE SYSTEMS

Introduction

Before launching into a discussion of the use of incentive systems to motivate the civilian work force within the Navy Department, it is logical to discuss briefly the general environment in which these people work. Max Weber, in The Theory of Social and Economic Organization, accurately described the general organizational structure of the Navy Department when he explained his "Theory of Bureaucracy." He said that any real bureaucratic organization is distinguished by four characteristics: (1) specialization in work assignments; (2) hierarchy of authority; (3) system of rules; and (4) formalistic impersonalities of officials in the conduct of their duties. O. Glenn Stahl, in discussing Federal Government organization in general, supports Weber's theory.[1]

The Navy Department, like most other Federal Government agencies and departments, is guided by the U.S. Civil Service Commission in regard to broad policy concerning personnel,

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[1] O. Glenn Stahl, Public Personnel Administration (New York: Harper & Row, 1962), pp. 10-11.

wage, and incentive awards administration.

As Stahl observes, employment in the Federal Government provides "fair," though relatively modest wages, job tenure, and retirement benefits.[1] Thus it might be considered that the employment of a civilian by the Navy Department provides at least partial, if not whole, satisfaction of the employee's physiological and safety needs.

Motivation of Navy Department Civilian Employees

What factors motivate civilian employees of the Department of the Navy to cooperate with their supervisors and managers in working toward objectives established for the organization? John Macy lists seven factors of motivation for Department of Defense employees:[2]

1. Dedication to serving those in uniform or on the "front line";

2. Motivation for distinctive achievement;

3. Motivation toward important work and responsibilities;

4. Motivation for growth and advancement;

5. Motivation for esteem;

6. Motivation for fulfillment of one's highest abilities;

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[1] Ibid., pp. 168-193.

[2] Macy, "A Cost-Conscious Work Force," 21-22.

7. Motivation to receive recognition when it has been earned.

Macy believes that most people near the top of the organizational hierarchy quite often find sufficient satisfaction in the first five items due to the nature of their jobs. But the vast bulk of the civilian work force, because of their lesser responsibilities, their fewer opportunities for high achievement, and their lesser degree of career advancement, are quite concerned with the sixth item. In short, he believes that they do want to receive special credit for the things they do that are beyond the contributions of their peers.

How do the rewards, whether financial or non-financial, which are provided by an incentive awards program, relate to Navy Department civilian employees' personal needs? John D. Roth, Director of the Office of Incentive Systems, U.S. Civil Service Commission, points out that such rewards relate to each of the five levels of individual needs identified by Maslow.[1]

The cash award, for example, contributes to some extent to meeting physiological needs and, depending upon how it is spent, can help meet safety needs as well. Since these needs are already partially met by the regular wage plan, the

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[1]John D. Roth, "How Awards Relate to Behavioral Science," Civil Service Journal, IV, No. 4 (April-June, 1964), 18-19.

cash alone may not be the most important part of the award. Moving up the need hierarchy, Roth notes that an award for an achievement that is considered by an employee's associates to be a superior product should contribute to satisfaction of social needs because the award presentation ceremony provides a specific setting in which the individual receives the congratulations of his peers as well as his superiors. The satisfaction of ego needs is realized when a well-selected award is granted in such a way that it exemplifies sincere esteem and appreciation from management to the individual. Finally, the awards system makes a positive contribution to the self-fulfillment needs by providing an organized system in which the employee is encouraged to utilize creative talents, initiative, and drive beyond the immediate requirements of his job.[1]

The awards program in the Federal Government presupposes the presence of such factors as good administrative practices, competent supervision, job security, fair pay, satisfactory physical working conditions, and benefits--referred to by Herzberg as "hygiene" factors. The "motivators" which Herzberg identified--achievement, recognition, the work itself, responsibility, advancement and growth--match Maslow's self-fulfillment and ego needs and are

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[1] Ibid.

a major foundation for success of the awards program.[1]

In an article in which he discussed employee motivation in general, and Federal Government employees in particular, Roth stated:

> There is a growing viewpoint among behavioral scientists that the factors of motivation are related to the nature of the work. Motivation is stronger when the work can be made meaningful--when it is interesting--when it provides challenge and responsibility--when it offers opportunity for pride in achievement, for growth, for distinction, and for recognition. For the employee who has little opportunity for challenging work and perhaps less opportunity for growth, the need to be recognized for superior efforts is very important. Even scientists, managers, and others who find great satisfaction and reward in their work desire recognition and acclaim for achievements that are substantially beyond that expected of them.[2]

In writings concerning motivation, attention is often concentrated upon the non-supervisory employee. Macy points the finger of responsibility higher up the chain of command.[3] He claims that in any organization--and particularly in an organization as large and as complex as the Defense Department--there is an inherent problem of how to facilitate innovative change or economies at the middle organizational level.

Most organizations, he believes, have this problem and the reason for the problem is not a complex one. It is at the middle levels where potential change most often requires a great deal of implementation. At the same time, the

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[1] Ibid.

[2] John D. Roth, "More Than the Job Requires," Civil Service Journal, IX, No. 4 (April-June, 1969), 8-9.

[3] Macy, "A Cost-Conscious Work Force," 21-22.

responsible people at these levels are heavily involved in carrying out day-to-day operating assignments. Additionally, it is at these levels where the motivation to make changes is probably weakest because of individuals being committed to procedures they themselves have designed, or because of individuals who fear the loss of personal status that might stem from change.

Fritz Roethlisberger subscribes to this idea of management responsibilities by suggesting that if communication and collaboration between groups in an organization are to be effective, it is important for top management to understand and appreciate the behavior of the people at the bottom level as it is for the bottom group to understand the logical and economic objectives of the top.[1] Roethlisberger, in discussing the worker's need for recognition on the job said:

> . . . A person's satisfactions or dissatisfactions are relative to (1) the demands he is bringing to the situation and (2) the demands the situation is making of him. In order to maintain his equilibrium he has to resolve these two sets of pressures. If there is too big a gap between the social satisfaction which he is asking from his job and the social satisfaction he is getting from his job, he has a grievance. If he is bringing to his situation a demand for recognition which his present job cannot satisfy, he becomes discontented.[2]

Macy indicated his concept of organization's responsibility concerning the motivation of the workers when he said:

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[1]Roethlisberger, Management and Morale, p. 87.

[2]Ibid., p. 120.

> Any steps that can be taken to increase the organization's total receptivity to constructive change will strengthen the motivation of the civilian work force toward taking an active role in the cost reduction program.[1]

Navy Department Incentive Systems

Applicability of Industrial-type Incentive Plans to Navy Department

Of all the types of incentive plans which were discussed in Chapters III and IV, only a few might have applicability to the production-conscious, nonprofit-oriented, and highly bureaucratic organization of the Navy Department. Obviously, all incentive plans which relate to profits, such as the family of revenue sharing plans, are not applicable.

Time-based plans, both individual and group, would have applicability in industrial-type shop operations, e.g., in shipyards and aircraft overhaul and repair facilities, or even in offices where time standards could be established.

The Scanlon Plan approach, which essentially bases group rewards upon cost savings, might well find partial application to the Navy Department work environment.

Finally, suggestion systems, ideally suited to both profit and non-profit-oriented organizations, can be used as incentive plans by government organizations in practically the same manner that they are used in industry.

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[1]Macy, "A Cost-Conscious Work Force," 21.

Navy Department Incentive Awards Program

While there are a number of types of incentive plans which might be used within the Navy Department, the incentive system which is employed by the Department is called the Incentive Awards Program and is used in basically the same form by most Federal Government departments and agencies.

The basis of authority for and administration of the Navy Department's Incentive Awards Program is the Government Employees' Incentive Awards Act of 1954, officially identified as Title III of Public Law 763, 83rd Congress.[1] The law, which became effective November 30, 1954, was designed to encourage improvements in government operations through two mediums--employee suggestions and superior performance. This act repealed several existing incentive awards laws which had been in effect for a number of years. A U.S. House of Representatives subcommittee had characterized the programs under these laws as being in a "lethargical state" due to divided overall responsibility and a lack of management interest within the agencies. The new law charged the Civil Service Commission with government-wide responsibility for administering the Federal Government's incentive awards program.

Because of the large variance in size of the many governmental agencies, the Civil Service Commission laid down

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[1]Rosen, "Stretching the Tax Dollar," 168.

broad principles for implementing the law. Agency heads were authorized to establish suggestion plans and programs tailored to their needs. The most important of the principles governing operation of agency programs are:

> 1. Suggestion programs must serve as an aid to management, suitable to the needs of the mission, organization, and employees of the particular agency. The primary objective is to encourage increased employee participation in the task of improving government operations through good ideas.
> 2. Authority to grant recognition and awards should be delegated to lower echelons consistent with their authority in other management areas.
> 3. Top management should emphasize to supervisors their key role in encouraging maximum employee participation.
> 4. Employee suggestions should be considered for application throughout the agency and for possible use in other agencies. Awards granted for adopted suggestions should be considered in selecting employees for promotion.
> 5. Effective promotion and publicity should be used to obtain maximum employee participation.[1]

Congress designed the awards program to give the man with constructive, useful ideas or superior performance some recognition that distinguishes him from those who are satisfied with the status quo. As Roth points out:

> The awards law is not complicated. It authorizes agency heads to grant either cash or honorary awards to employees who improve government operations. It says awards can be granted for useful ideas, for superior performance and for special achievements.[2]

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[1] Ibid.

[2] John D. Roth, "Mr. Manager: Take a Critical Look at Incentive Awards," Management Notes, Department of Health, Education and Welfare Leaflet No. 15, 1964, p. 2.

> The awards program in Government is an expression of public policy to recognize those employees who achieve more than their jobs require, who dedicate extra thinking to making improvements, and who in doing so demonstrate an exemplary commitment to the goals of management and the goals of their agencies.[1]

According to Macy, the incentive awards legislation was originated and approved by the Congress so that Federal managers could grant cash or honorary awards to meet employee needs for special recognition wherever it has been earned. Honorary awards are generally reserved for the highest type of achievement, and they are made meaningful to the recipients by the fact that very few are presented. The cash award is generally used to provide the broader-base award to which a much larger number of employees may aspire. It is this type of award that has a readily accepted meaning and value for most employees.[2]

Specifically, what does the Incentive Awards Program, which applies equally to the Navy Department and to the other Federal Government departments and agencies, provide? It provides:[3]

1. Awards for useful suggestions or inventions.
2. Awards for special achievements.
3. That awards may be cash or honorary, or both.

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[1]Roth, "More Than the Job Requires," 9.

[2]Macy, "A Cost-Conscious Work Force," 22.

[3]U.S. Civil Service Commission pamphlet, "The Incentive Awards Program," Federal Employee Facts No. 1, May, 1969.

4. That cash awards may be granted for contributions of intangible value as well as for those which result in measurable benefits.

5. That awards can be as high as $25,000 for a single contribution.

6. That awards may be earned as an individual or as a member of a group.

Before looking more closely at the Navy Department's Incentive Awards Program, and specifically looking at the administration of its suggestion and achievement awards plans, a word should be said regarding the role of the incentive awards committee. Neither the law nor Civil Service regulations requires that a Federal Government organization have an awards committee. Most of them do, however.[1]

The Navy Department authorizes, but does not require, the establishment of local incentive awards committees at Naval activities, e.g., bases, stations, or large ships. When established, the local committee will: monitor the operations of the awards program; stimulate participation; review contested decisions; select nominees for competitive and honorary awards; assure coordination of the incentive awards program activities and publicity with other management programs; review and make recommendations on cash awards in excess of the amounts delegated to line officials; and perform

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[1]Roth, "Mr. Manager," 2.

other policy and program functions.[1]

As has been previously stated, the Navy Department's Incentive Awards Program pinpoints two areas upon which rewards are given: suggestions and performance achievement. For the sake of clarity, these two sub-programs will be discussed separately.

The Suggestion Plan

The suggestion plan is administered by the Navy Department in accordance with the guidelines which are originated by the Civil Service Commission and passed down through the Department of Defense. Thus, a discussion of the suggestion system philosophy and administration as proposed by the Civil Service Commission is, with relatively minor exceptions in procedures, a discussion of the Navy's plan.

It should be noted, also, that the philosophy of the administration of suggestion plans, as they are employed within the Federal Government, is for all intents and purposes, the same philosophy which applies to suggestion plans used in the industrial environment. This similarity will be apparent in the discussion which follows.

According to information furnished by Frank X. Churney, Director, Office of Motivation and Incentives, Department of

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[1]Department of the Navy, Office of Civilian Manpower Management Instruction 12000.1, Change 32, para. 451.1e(4), September 12, 1969.

the Navy, the two most important determinants of a successful suggestion program are the interests of both the top management and the line supervisors in the program.[1] Churney agrees with authorities on industrial incentive plans that the effectiveness of a suggestion program can be greatly attributed to the extent to which it is backed by top management.

Churney also supports the viewpoint that it is the supervisor who is in daily, direct contact with employees and who must insure that management's objectives are attained. It is within the supervisor's power to stimulate worthwhile contributions which may benefit the entire organization--or he can crush all enthusiastic response by his lethargy, indifference, or antagonism, with resulting loss of constructive ideas which might have proven highly valuable to the government.[2]

The U.S. Civil Service Commission has certainly not overlooked the importance of the supervisor's role in relation to the suggestion program. The Commission's pamphlet on the incentive program states that a supervisor's job success depends to a large extent upon the results he gets through his people. By demonstrating that he wants ideas for improving operations, by enthusiastically encouraging constructive thinking on the part of the employees, by helping to get good

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[1]Frank X. Churney, interview held on March 25, 1971.

[2]Ibid.

ideas adopted, and by recommending awards for good ideas and for superior accomplishment, the supervisor can gain both the respect and confidence of the people whose work he supervises. At the same time, he can reap benefits that result from more efficient operations, reduced waste, increased production, improved working conditions, and better employee morale and employee-supervisor relations. All of these factors contribute to a well-run organization and reflect credit upon the supervisor as an improvement-minded and cost-conscious leader.[1]

The Navy Department's Office of Civilian Manpower Management (OCMM) has been delegated the responsibility for administering the Navy Incentive Awards Program by the Secretary of the Navy.[2] In one of its handouts, OCMM has suggested five steps which would be helpful to Navy employees in their origination and submission of suggestions: (1) pick a familiar subject; (2) collect the facts; (3) analyze by questioning the old situation and new idea--what is done and why, where is it being done, when and by whom is it done, and how is it done?; (4) develop the suggestion; and finally, (5) sell the suggestion.

Suggestion programs provide benefits to management, supervisors, and employees. Some of these benefits were

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[1]U.S. Civil Service Commission, "The Incentive Awards Program."

[2]OCMM Instruction 12000.1, para. 2-1b(2)(a), September 12, 1969.

discussed in Chapter IV. Rosen suggests that Federal Government organizations' suggestion plans offer benefits to an additional group--the taxpayer.[1] He says that suggestions make the tax dollar go farther by generating savings in manpower, money, materials, time and space. They bring about improvements in methods, quality, service, working conditions, employee morale, and safety conditions. They reduce spoilage, breakage, duplication, and waste. They give the taxpayer more and better service for his tax dollar.

The many factors which relate either directly or indirectly to the success or failure of an organization's suggestion plan have been discussed, both in this chapter and in Chapter IV. It might be fair to ask whether or not such factors are, in fact, determinants of success where Federal Government suggestion plans are concerned. One of the Navy Department's "sister services," the Department of the Air Force, conducted a study of the Air Force's Civilian Suggestion Program in 1955 in an attempt to answer this very question.[2]

The study was based upon information obtained from questionnaires which were submitted by 8,154 Air Force civilian employees who worked at forty-eight bases in the continental United States. The questionnaire was designed to

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[1]Rosen, "Stretching the Tax Dollar," 170.

[2]U.S. Department of the Air Force, "Seventy-Three Per Cent Untapped Potential," a study of the U.S. Air Force Civilian Suggestion Program, prepared by the Directorate of Civilian Personnel, Headquarters, USAF, 1955, summary pp. 1-5.

identify participating and non-participating groups, and to assess employee knowledge of an attitude toward various aspects of the program. Some of the findings are summarized below:

1. Seventy-three percent of Air Force civilian employees questioned never had submitted a suggestion during their employment by the Air Force.

2. Most suggestions were submitted by employees with the longest tenure and the fewest were submitted by new employees.

3. The percentage of participation by occupational areas was:

administrative and professional	39%
scientific and engineering	36%
skilled and semi-skilled	31%
clerical and office services	18%
custodial and laborers	13%

4. The participation rate of supervisors doubled that of non-supervisors.

5. The more informed an employee was regarding the program, the more suggestions he submitted.

6. Employee mis-information about the program was high. For example: while one out of four suggestions submitted were adopted, 75% of the employees thought the adoption rate to be much lower; 40 % had not been told about the program when they began work; and only 50% of the employees

had been encouraged by their supervisors to submit suggestions.

7. In regard to motivation, most suggesters said that they submitted suggestions in order to save the Air Force money or to make working conditions better. Few said they were motivated by a financial reward.

8. Concerning the method of presenting awards, most employees preferred recognition at their work site by either their supervisor or the base commander.

9. Regarding suggestion evaluation, 50% of the employees were not convinced that their suggestions were given a fair evaluation, and the same percentage felt that it took too long before they were informed of the final disposition of their suggestions. Forty percent of the employees were not told the reason for non-adoption of their suggestions.

One of the key problems in the Federal Government suggestion system has been that a large volume of ideas of minor value have caused delays and backlogs in processing suggestions of significant value. For this reason, the Civil Service Commission recommended that, effective July 1, 1969, agencies limit awards for employee suggestions to proposals that directly increase economy, efficiency, or effectiveness of government operations.[1] As Roth explained:

> The basic intent is to encourage and concentrate on those suggestions which will conserve manhours, supplies, and equipment, reduce paperwork, and otherwise directly contribute to increased productivity, less cost, or better service to the public.[2]

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[1]Roth, "More Than the Job Requires," 8-9.

[2]Ibid.

In other words, agencies and departments were asked to handle through normal administrative channels those ideas relating to employee services or benefits, working conditions, housekeeping, buildings and grounds, and routine safety practices. The object of this change was to make it possible for the agencies to reduce the volume of formal suggestions, making possible more rapid decisions and replies on those suggestions which lead to economy, efficiency, and effectiveness of operations.

Did this change have any significant effect upon the Government-wide suggestion system? The Civil Service Commission thought so.[1]

The input of "minor benefit" and "borderline" suggestions was reduced 25% Government-wide--a drop of almost 125,000 suggestions--with only a ten percent decline in tangible benefits. Clerical man-hours spent on paperwork, e.g., logging in, creating files, referral, disposition, etc., were significantly reduced due to the lower volume of suggestions received. The valuable time of managers who evaluate suggestions was conserved, and their attention could be concentrated on suggestions for improvements in Government operations.

Cash awards for adopted employee suggestions reached an all-time high--the average award per adopted suggestion in FY 1970 was $65, compared to an average of $45 in the previous

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[1]U.S. Civil Service Commission, "Beneficial Ideas and Outstanding Achievements Through People," Federal Incentive Award Program pamphlet, 1970.

year. The quality of adopted ideas was greater than ever before as reflected by the fact that the average dollar benefits per adopted suggestion in FY 70 was $2,172, compared with $1,332 in FY 69--an increase of 39%. A total of thirty-six agencies reduced their backlog; government-wide there was a 15% reduction in pending cases.

Performance Awards

Much has been said about the suggestion plan part of the Incentive Awards Program. Something needs to be said, also, regarding the performance awards part of the program. When Nicholas Oganovic was the Executive Director of the U.S. Civil Service Commission, he wrote:

> Managers frequently feel that everyone should do his best--"He's being paid a good salary and quality work is no more than management has a right to expect." This "quick to criticize, slow to praise" type of management leads to employee apathy which is usually expressed as "they don't care or give any credit for good work." This is a corrosive attitude which destroys employee motivation. No organization can afford to allow it to develop.
>
> Traditionally, promotions and pay increases are used to recognize superior work. Within the Federal Government, the Incentive Awards program provides an additional means to assist managers. It should be used to directly support management's goals and objectives.[1]

After studying the record, however, Oganovic notes that less than one tenth of one percent of Federal payroll cost was being spent on awards in 1969. He felt that it was a very

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[1]Nicholas J. Oganovic, "Management by Objectives . . . and Beyond," Civil Service Journal, X, No. 10 (October-December, 1969), p. 1.

small amount for managers to invest in recognition of superior efforts of their employees.

From the manager's point of view, the periodic reviews of the effectiveness of the organization in meeting objectives should lead naturally and objectively to recognition of, and granting awards for, superior efforts by employees. From the supervisor's viewpoint, the annual, or more frequent, appraisals of performance provide the basis for objective consideration for awards, as well as for counseling. The level of superior performance required to earn an award should be sufficiently high that fellow workers are aware of and recognize the justice in granting the award.[1]

Relationship of the Incentive Awards Program to Other Organizational Programs

Rosen indicates that one of the real benefits of the Incentive Awards Program is the help it provides to other management programs, such as cost reduction, zero defects, work simplification, safety, recruitment and public or community relations.[2] The suggestion plan probably has the greatest direct beneficial effect upon the cost reduction and the zero defects programs.

Rosen points out that a primary goals of management, whether in the Federal Government, or in industry, is to reduce the cost of operations as much as possible. Concomitant with

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[1] Ibid., p. 2.

[2] Rosen, "Stretching the Tax Dollar," 170-171.

this goal is one of performing all work correctly the first time--or with zero defects in quality of workmanship. Employee awareness of and interest in these programs can be stimulated and increased by giving honorary and cash awards for ideas which reduce costs of operations and which modify procedures to prevent or to reduce future costly mistakes and errors. In other words, ideas generated by the cost reduction and zero defects programs should be introduced into the suggestion program as well, when there is a possibility of granting an award to the originator of the idea.

Similarly, by giving enthusiastic and genuine consideration to all suggestions, by adopting the good ones, by granting appropriate cash and honorary awards, and by publicizing the awards, management can encourage more and better employee participation in the areas of work simplification and safety. This will help improve performance in recruitment and public relations.[1]

Effectiveness of the Navy Department's Incentive Awards Program

Just how effective has the Navy's Incentive Awards Program been in motivating its civilian employees to support the Department's organizational objectives and programs? The answer, according to Frank Churney in the Navy Department's Office of Motivation and Incentives, is that the program has

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[1] Ibid.

not been as effective as it should or could be.[1]

Churney gives four reasons for his answer: (1) lack of middle and top management interest at the activity level; (2) indifferent or negative attitude of many supervisors; (3) little trust in the honesty and objectivity of the program by many employees; and (4) inadequate advertising and education concerning the program, especially at the activity level. Of these reasons, Churney believes the first two are the most critical. He adds that inadequate managerial and supervisory interest is caused by a basic lack of understanding by the members of these two groups of the vital importance of the Incentive Awards Program to their own interests in managing and supervising their respective segments of the organization.

Incentive Awards Program statistics for FY 1970 would seem to support the above assessment of the Navy's program.[2] The following chart is an example of those FY 1970 statistics:

	Fed Gov	DOD	AF	Army	Navy
The annual rate of suggestions submitted per 100 employees	13.9	16.1	20.6	19.0	9.7
The annual rate of suggestions adopted per 100 employees	3.0	4.0	3.7	5.0	3.6
The number of approved superior performance awards per 100 employees	3.8	4.6	3.9	6.4	3.5

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[1]Frank X. Churney, interview held on March 25, 1971.

[2]U.S. Civil Service Commission, Annual Report to the President and the Congress on FY 1970, Appendix H, "Incentive Awards Statistics--FY 1970."

Except for the Federal Government's annual rate of suggestions adopted per 100 employees, the Navy rated the lowest in each category for the organizations listed. It does seem significant to note, however, that the Navy Department's suggestion adoption rate was contrary to the above trend. The number of suggestions adopted for the Navy Department was one out of 2.7 submitted, compared to one of every 4.7 submitted for the Federal Government as a whole and one of every four for the Department of Defense.

Some additional Navy Department FY 1970 statistics, though not comparative in nature, provide some indication of the Navy's participation in the incentive awards program:[1]

Suggestions	
Number of suggestions adopted	14,032
Number adopted per 100 employees	3.6
First year value of measurable benefits	$28,964,725
Achievements	
Number of performance awards approved	13,935
Number approved per 100 employees	3.5
First year value of measurable benefits	$18,518,181

Summary

This chapter has attempted to show how the Department of the Navy uses a combination of suggestion plan and performance award plan to help motivate employees. Statistics indicated the Department's relative effectiveness in gaining employee participation in the incentive program and reasons

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[1]U.S. Civil Service Commission, "Beneficial Ideas and Outstanding Achievement."

for the Navy's failure to more effectively utilize the program were suggested.

In the final chapter, the thesis question and subsidiary questions, which were stated in Chapter I, will be re-considered in light of the information provided in subsequent chapters. In addition, recommendations for improving the effectiveness of the Navy Department's Incentive Awards Program will be suggested.

CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

> The progress of mankind depends on human beings. Human beings act on their incentives and aspirations which have developed in the directions and to the extent that have made the world and the human race what they are today. If we are to understand how to introduce incentive in industry, the first principle is to deal with reality in dealing with people and understand why they are as they are and how they got that way. We must understand what incentives spur people to develop, to cooperate and to work at greatest usefulness. If this is not understood clearly, there can be little chance for a successful plan of incentive in industry.[1]

The above statement, made in 1951 by James F. Lincoln, president of the Lincoln Electric Company and author of Incentive Management, is just as appropriately related to the civilian employees of the Department of the Navy in 1971 as it was to their counterparts in industry twenty years ago.

As the re-ordering of National priorities shifts Federal spending emphasis from defense-related to people-oriented programs, managers within the Department of Defense will certainly continue to direct their attention to the problem of improving both efficiency and effectiveness in

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[1]Lincoln, Incentive Management, p. 93.

Defense Department administration and operations. It is logical to assume that a great deal of interest will be given to the task of motivating employees to accept and to participate in the attainment of established organizational goals.

It has been the purpose of this paper: to relate some of the more significant concepts of employee motivation to the types of employee incentive plans used in industry; to suggest which of these incentive plans might appropriately be used in the Navy Department for motivating civilian employees; to examine what incentive plans are actually in use within the Navy Department, and to what relative degree of success they are used; and finally, to recommend ways in which the Department might better motivate employees through the use of incentive plans.

In the development of the objectives of this study, a basic research question and five subsidiary questions were posed in Chapter I. It was noted then, that, by answering the subsidiary questions, the research question would also be answered. It is expected that the reader has found these questions answered by the information contained in Chapters II through V. In order to better summarize the study, however, each of the subsidiary questions will be discussed in light of the information which was discussed in the body of the paper relative to those questions.

1. What are some of the most generally accepted theories and concepts concerning employee motivation in a production-oriented environment? Chapter II contains a synthesization of opinions of recognized authorities in the fields of human behavior and social science. Four approaches to motivating employees were discussed. The rational-economic approach assumes that man acts and reacts rationally in most situations and that he is motivated primarily by financial rewards. The social approach is based upon the premise that man seeks satisfaction through his relationships with others and that employees are thus motivated by any system which permits them to develop satisfactory interpersonal and inter-group relationships on the job. The self-actualizing approach is related to man's desire to realize personal achievement, creativity, and growth on the job. Finally, the nature of man is considered to be very complicated and complex and his needs and motives are different from those of his fellow man, thus requiring that he be treated differently. This last approach, which suggests that there is no single strategy for keeping morale and productivity high for everyone in every situation, is perhaps the most practical approach for the contemporary manager to consider.

2. What incentive plans have been successfully used in profit-oriented, industrial organizations and what are the motivational theories upon which these plans are based? Chapters III and IV discuss various types of incentive plans

that are in use in industrial organizations. Time-based incentive plans relate the amount of reward to the quantity of a work unit produced or completed in excess of the "average" or "standard" level of production. This type of plan may apply to either individuals or to groups of workers and is oriented to the economic concept of motivation by offering greater financial rewards for greater production. The Scanlon Plan combines group participation and a suggestion system. Financial rewards, which are based upon cost savings, are shared by members of the groups responsible for the savings. This plan permits the use of a combination of the economic, social and self-actualizing theories. Revenue participation plans offer primarily financial rewards which are based upon the company's profits. The amount of reward does not relate directly to a worker's level of production. This type of plan seeks to motivate by offering workers more money in return for greater efficiency in company operations.

Suggestion systems offer both financial rewards and honorary awards for adopted suggestions which lead to cost reductions, operational efficiency, higher quality, etc. While awards may be made to groups, as is the case in the Scanlon Plan, they are more commonly directed to individuals for individual effort. While financial rewards are given wide publicity, many employees apparently gain greater satisfaction from seeing their ideas placed into effect. Thus the motivation concepts which are most closely related to

suggestion systems are the economic and the self-actualizing approaches.

3. Which incentive plans, if any, that have been successfully used in profit-oriented organizations might be successfully applied as employee motivational tools in the Department of the Navy, and what are the bases of motivation upon which such plans provide incentives to Navy civilian employees? Chapter V indicates that, in theory perhaps, time-based incentive plans might have application to industrial-type or shop-type operations in the Navy Department. Revenue participation plans must be excluded from consideration because the Navy is, by definition, a non-profit organization. Suggestion systems would have applicability to the Navy Department as would the Scanlon Plan. Civilian employees of the Navy Department are motivated by the same types of incentives and, in general, have the same types of personal needs to be met, as their industrial counterparts. DOD employees may, however, have the additional incentive of trying harder in order to save tax dollars, to serve their country, and to support the "fighting man on the front lines."

4. What incentive plans have been instituted within the Department of the Navy and what has been their apparent success as employee motivators? Chapter V again discusses the fact that the Department, and the Federal Government as a whole, uses the suggestion system for the same reasons it is used in industry. In conjunction with the suggestion system,

the Department uses an achievement awards program whereby financial or nonfinancial rewards are given for outstanding job performance. This latter program finds its bases of motivation in the economic, social, and self-actualizing approaches. The achievement award gives the employee satisfaction from the money or pay increase he receives, the esteem of his peers and the self-esteem from having done a job well and having been recognized for it. The Navy Department has only a fair record of success in its Incentive Awards Program, as compared with its sister services in the DOD.

The last subsidiary question is more germane to the following section on recommendations than it is to the development of an answer to the basic research question.

The basic research question of this thesis is: Can incentive plans such as those which are used in a profit-oriented, industrial environment be effectively used as employee motivational devices in a production-conscious, non-profit-oriented organization such as the Department of the Navy? The answer to this question has been answered by the answers to the previous questions. Industrial-type suggestion systems can be used successfully in an environment such as the one in which civilians in the Navy Department work. The fact that the Navy's level of success in achieving employee participation in the program is less than is possible and desired certainly does not affect the feasibility of using incentive plans as employee motivational devices within the

Department. The following section will recommend ways in which the Department of the Navy might gain greater levels of success in the operation of its Incentive Awards Program.

Recommendations

The last of the study subsidiary questions best relates to recommendations for improving the Navy's Incentive Awards Program. It asks: How might the Department of the Navy improve its use of incentive plans to the extent that its civilian employees would be more highly motivated toward the management goals of providing maximum effort, effectiveness and efficiency; reduced operating costs; greater production accuracy; and continual job improvement?

As has been shown, authorities generally agree that of all the factors relating to incentive system success, the two most important are management and supervisory support of the program. These have been weak points in the Navy Department Incentive Awards Program. Thus it would seem logical to assume that there is a real need for basic attitude change by managers and supervisors in regard to employee motivation and incentive programs in the Navy.

Perhaps the concept of military discipline has cast its shadow upon the area of civilian employee performance. Many of the Department's leaders are military officers on active duty who move from duty assignments wherein they command or manage mostly military personnel to assignments placing them

in charge of large numbers of civilian personnel. When they manage military personnel, their word is to be regarded as law and motivation is seldom considered or related to the quantity and quality of production expected. Their subordinates are expected to do as they are told. Is it not reasonable to expect, then, that this same authoritarian philosophy of management will carry over to assignments where these military managers' subordinates are largely civilian, eight-hour-a-day workers? It has been this writer's observation, during thirteen years in the Navy, that the prevalent attitude of both managers and supervisors in the civilian segment of the Navy's organization, has been and still is, very authoritarian. In the writer's opinion, Douglas McGregor was describing the typical Navy Department manager (particularly in the case of military officers and senior petty officers) and line supervisor when he articulated "Theory X."

As Warren Bennis points out in The Planning of Change and as Dr. Gordon Lippitt discusses in Organizational Renewal, changing attitudes is probably one of the most difficult of all changes to bring about. The majority of the Navy's military and civilian managers and supervisors need to be convinced that more can be accomplished in both the short-run and the long-run context by providing the work environment in which all employees can maximize the use of their abilities and capabilities. This comment suggests that Navy Department employees should be permitted greater opportunity to

participate and to become involved in decision-making relative to their jobs. Many managers and supervisors apparently quail at the thought of sharing decision-making with non-supervisory workers.

The primary problem, again, then, is that of changing individual attitudes. It is suggested that individual enlightenment through education is the key to the solution of this problem. The best method of providing such education would certainly be a worthwhile area for further study and evaluation. Perhaps on-the-job seminars for managers and supervisors would be fruitful. Perhaps formal, short courses would be called for. At any rate, there is a tremendous need in the Navy Department to help managers and supervisors (1) realize that most employees bring more productive potential and capabilities to the job than are ever tapped and (2) recognize the best way to help the employees make use of their talents and capabilities.

There is no real reason why the Navy Department could not adopt certain aspects of the Scanlon Plan style of incentive program for its Beneficial Suggestion Plan. In this regard it is suggested that:

1. Each local Naval activity establish employee suggestion review committees at either the division or department level. These committees would be comprised of approximately five members, including two supervisors, two peer-elected non-supervisory employees and a union

representative. The committees would meet weekly to consider suggestions originated within the organizational unit represented by the committee. They would have the authority to approve and disapprove suggestions, subject to appeal, and to assign monetary awards up to $50-$100. If suggestions had wider potential value, e.g., for other departments or activities, they would be forwarded to the activity Incentive Awards Committee for final determination of award amount. Disapproved suggestions would be discussed by the committee and the originator. If the originator disagreed with the reasons for a disapproved suggestion or with the amount of award assigned, he could appeal to the Incentive Awards Committee for review. Technical expertise required by the committees in considering the merit of suggestions would be requested of, and arranged by, the department head.

2. The activity's Incentive Awards Committee be comprised of the executive officer and at least one representative, elected by the members of each of the suggestion review committees. This committee should be given authority to make maximum monetary awards of $1,000. It would act as the final review board for disapproved suggestions and for the amounts of awards assigned by the review committees.

3. That supervisors be given special recognition for adopted suggestions originated by their subordinates. Besides participating in the awards ceremony, the supervisor might be given a commanding officer's letter of appreciation, a pin or

a plaque for specified increments of suggestions originated in his area of responsibility. To make this idea more attractive, promotion and/or retention points could be given for a certain increment of suggestions originated, or a pay increase could be given for so many thousands of dollars of measurable benefits from adopted suggestions submitted by the supervisor's employees. Semi-annual dinners for supervisors developing the greatest numbers of suggestions could be held and presided over by the commander of the activity.

4. Maximum publicity should be given the awards ceremony and the award recipient. Awards should be presented by the executive officer--or at least the Department head--the presentation to be held in the recipient's normal work area with his peers in attendance.

5. That supervisors be advised that their annual efficiency evaluations would give heavy consideration to the number of suggestions originated by their subordinates.

In the judgment of the writer, the implementing of the above suggestions would greatly improve managers', supervisors', and employees' attitudes concerning the importance of the incentive awards program. Further, employees and supervisors would have the opportunity to work more closely together to develop ways to reduce costs and to improve operational efficiency. Nonsupervisory employees would have greater influence over their jobs. Conceivably, suggestions would be processed faster and in a more personal manner than is presently the case.

These recommendations suggest a need for basic changes in the current approach to employee motivation in a Federal government organization. But changes must be made in the basic structure of the Navy's Incentive Awards Program if it is to reach the peak of success which is possible.

In discussing the success of certain industrial firm's suggestion programs, John Macy said:

> These results in private industry did not occur as a result of overnight effort or a one-time promotional campaign. They are the consequence of continued long-term efforts to build up employee confidence that their ideas are wanted; that they will receive fair evaluation; that they are sincerely appreciated; and that they are given meaningful recognition.[1]

Perhaps Nicholas Oganovic provided the best conclusion for this paper when he wrote:

> Federal managers have the fundamental responsibility of creating and maintaining an environment in which all employees are motivated to work toward meeting organizational goals. This is a most difficult and also a continuous task. Managers may work toward this objective by organizing the work so it provides opportunities for challenging assignments, for assuming added responsibilities, for personal growth, for taking pride in achievement, and ultimately for recognition. To be an effective part of management, recognition must be equitably and objectively given to deserving employees for achieving results that are beneficial to the organization. The type or amount of the award and the occasion and level of management granting the award and its publicity should match the contribution made.[2]

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[1]Macy, "A Cost Conscious Work Force," 20.

[2]Oganovic, "Management by Objectives," 2.

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